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U.S. and Soviet Relations with Argentina:
Obstacles and Opportunities for the U.S. Army

Rachel Schmidt

November 1989

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Obstacles and Opportunities for the U.S. Army**

Rachel Schmidt

November 1989

Prepared for the
United States Army

RAND

PREFACE

This Note was prepared as part of an Arroyo Center project on low intensity conflict in Latin America. In an attempt to help the U.S. Army better allocate its resources, the project identified the components of U.S. military assistance to countries in Latin America and described the factors that constrain the use of such assistance.

The Note was written prior to the May 1989 Argentine presidential elections and therefore does not discuss Carlos Saul Menem's election to the Argentine Presidency. Nor does it discuss Argentina's recent food riots sparked by the country's hyperinflation and the negotiations currently taking place to speed up the transfer of power from Alfonsín to Menem. The case study does provide background information that will put more recent events in their broader context. However, events move quickly in Argentina, and at this writing it remains to be seen whether a smooth transition of power will take place between the Radical and Peronist parties in the midst of social and economic upheaval. Consequently, much more uncertainty surrounds the conclusions that were drawn in this research.

The case study reported here examined the political and economic context in which Argentina's relations with the Soviet Union and the United States are evolving. Direct policy implications from this Note are limited; it is intended to familiarize U.S. Army planners with those factors that complicate the implementation and effectiveness of military assistance programs in Argentina. The Note:

- Analyzes recent economic and security ties between the Soviet Union and Argentina, and assesses Soviet leverage;
- Evaluates the potential threat to U.S. interests posed by Soviet involvement in Argentina; and
- Discusses the role that U.S. security assistance plays in cultivating a pro-U.S. stance.

The work was sponsored by the Department of the Army, Office of the Deputy Chief of Staff for Operations and Plans, Strategic Plans and Policy Division. It was conducted within the Policy and Strategy Program of the Arroyo Center.

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SUMMARY

ARGENTINA'S POSITION BETWEEN THE SUPERPOWERS

Argentina is a nation that merits the attention of the United States. It is a large, relatively developed and influential country within Latin America. The 1983 election of Dr. Raúl Alfonsín marked the country's latest return to democracy in its historical cycles between military and civilian rule. Argentina is also a leading nation within the Nonaligned Movement, and one of the world's largest debtor countries. It has cultivated an emerging arms industry. Additionally, it is the Soviet Union's largest trade partner in Latin America, a fact that some analysts fear signifies growing Soviet leverage in what has long been considered the U.S. sphere of influence.

Like his predecessors, President Raúl Alfonsín established trade relations with communist and capitalist nations alike. Argentina requires export earnings to cover interest payments on its \$56 billion in gross external debt and cannot afford to limit trade with nations because of their ideology. One result of these circumstances is the broad expansion of trade relations that has taken place between the USSR and Argentina over the last quarter of a century. By the mid 1980s, the Soviet Union was Argentina's largest export market, relying on its supplies of grain in the aftermath of the worldwide grain embargo imposed by President Carter in 1980.

Like other Latin American nations, Argentina seeks to reduce its economic dependency on the United States. Because of U.S. holdings of Latin American debt and its influence in the International Monetary Fund (IMF), the United States has long been accused of being an "economic imperialist," allegedly disregarding the sovereignty of its hemispheric neighbors. These accusations are the source of much anti-U.S. sentiment in Argentina, as has been the imposition of austerity measures which are designed to promote economic stability but result in shorter term economic hardships. Perhaps an even stronger source of anti-U.S. sentiment in Argentina was Washington's decision to support Britain in the 1982 Malvinas/Falklands War. These factors make the establishment of a pro-U.S. orientation in Argentina quite problematic.

SOVIET GOALS AND LIMITS TO SOVIET LEVERAGE

Strong trade relations between Argentina and the Soviet Union over the past two decades have forced officials in Buenos Aires to become sensitive to the interests of their trading partner in Moscow. Similarly, Soviet support on the side of Argentina during the

1982 Malvinas/Falklands War strengthened diplomatic relations between these two countries. But while these events have improved the image of the Soviet Union in Argentina, it is not clear that the USSR holds much leverage in the Southern Cone of Latin America.

A Soviet presence in the Southern Cone would serve some limited strategic interests. Argentina is located in a region of geostrategic importance, with proximity to western Africa, the Antarctic, and Chile, with which it shares a lengthy common border. It lies south of the Atlantic alliance's formal sphere of operations and at a potential choke point by which the Soviets could limit access between the Atlantic and Pacific in time of war. Soviet and Cuban military support has allegedly made its way to communist groups hoping to overthrow the Chilean military dictatorship of General Augusto Pinochet, and similar external support might be used to assist revolutionary movements elsewhere in Latin America.

However, relations between Argentina and the Soviet Union have largely remained economic in nature. Military ties between the countries are virtually nonexistent. Meager support for communist ideology and hesitancy against provoking a U.S. response limit this aspect of their relationship. Furthermore, the USSR was unable to secure Argentine purchases of Soviet-made weapons at one of the high points of their bilateral ties, just after the Malvinas/Falklands War. Soviet relations with Argentina appear to be more strongly motivated by political and economic objectives, utilizing normal opportunism to expand the USSR's influence in the region.

U.S.-ARGENTINE RELATIONS AND COUNTERLEVERAGE

The changes taking place in Argentina have not had the same immediacy of concern for the U.S. as have events in Central America; hence the United States has not paid them much attention. However, the United States maintains broad national security objectives for Argentina such as promoting democracy, revitalizing collective security pacts, protecting U.S. economic interests, finding a solution for Argentina's debt situation, and generally cultivating a pro-U.S. stance in regional policies. Although relations were at their nadir during the Malvinas/Falklands War, more recently U.S.-Argentine relations have improved a great deal. New initiatives have included the exchange of military and diplomatic personnel, the reestablishment of limited security assistance programs, and an attempt on the part of the United States to initiate discussions between Argentina and Great Britain over the Malvinas/Falkland Islands dispute.

The United States operates in a climate of anti-U.S. sentiment in Argentina, due both to the debt crisis and to U.S. support for Great Britain during the Malvinas/Falklands War. Yet the United States continues to hold significant influence within Argentina. The volume of trade between Argentina and the United States surpasses the trade between Argentina and the Soviet Union. Argentines clearly prefer western imports to those from the Soviet bloc. A strong vestige of anti-communism is part of the cultural makeup of Argentine politics, and the Communist Party holds little support in comparison with the populist Peronist, left of center Radical, and more conservative Central Democratic Union parties. And although the debt issue is a source of anti-U.S. sentiment, the magnitude of Argentine debt held by U.S. banks makes the economic interests of the countries interrelated.

The Soviet Union does not pose an immediate threat to U.S. interests in Argentina. However, Argentina's relations with the Soviet Union are a reminder that U.S. influence in the Western Hemisphere needs to be continually cultivated. Furthermore, the way in which the United States tries to maintain its influence requires subtlety rather than heavy handedness, for fueling anti-U.S. sentiment could result in the unintended consequence of facilitating Soviet leverage.

Security Assistance Programs in Argentina

One means of developing better U.S.-Argentine ties is the administration of security assistance programs. Although the U.S. Army has little to say about the size of these programs, it plays a key role in their implementation. In the past, security assistance to Argentina has taken the form of Foreign Military Sales (FMS) loans to purchase U.S. military equipment and International Military Education and Training (IMET) grants for personnel exchanges. Funding for these programs has never been large, and it declined drastically in 1982 with the onset of the Malvinas/Falklands War. Some minor FMS loans were provided after the war, but the IMET program was only recently reestablished.

Because of Argentina's dire economic situation, the amount of new loans the United States can extend to the Argentina military is severely limited. And because Argentina is relatively well off compared with its Latin American neighbors, it is unlikely to qualify for military procurement assistance on a grant basis. Military education and exchange programs and small-scale conferences or workshops are likely to be more cost-effective measures for improving U.S. influence and military-to-military ties.

Perhaps the most important goal of U.S. security assistance to Argentina should be promoting the continuation of democracy, for the risk of a military uprising greatly threatens Argentine stability today. The U.S. Army's professionalism can provide a strong model for the Argentine Army, and it holds valuable expertise in skills needed for Argentina's military modernization. However, because of the alleged human rights abuses during the so-called Dirty War insurgency campaign during the late 1970s, the military is not a trusted institution among the Argentine people. Civil-military relations are particularly delicate now at a time when Argentina is observing both military uprisings and the resurgence of ultra leftist organizations. Establishing military-to-military ties should proceed carefully, through low visibility programs that cannot be construed as "connivance" with authoritarian forces. The latter interpretation of U.S. efforts would probably lessen U.S. leverage rather than strengthen it.

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I. INTRODUCTION

Over the past four decades, U.S. and Latin American defense policies have diverged greatly. Motivated by the desire to secure a stable southern flank, U.S. defense planners have supported the concept of collective Western Hemisphere security against communist influence. In the early postwar period this concept took the form of collaborative agreements to ward off direct external Soviet expansion, such as in the 1947 Rio Treaty.¹ By the 1960s, internal insurgencies and guerrilla warfare appeared to be the more likely means by which communist influence would expand in the Western Hemisphere. U.S. defense policy adjusted accordingly, emphasizing military-to-military training and support for counterinsurgency campaigns. Because of the threats of external support for communist insurgencies, the United States often found itself in the uncomfortable position of supporting repressive military dictatorships.

Events in Central America have tended to be the subject of U.S. Latin American policy since the Sandinistas' 1979 revolution against Somoza and the rise of a left-wing insurgency in El Salvador. President Reagan's goal of rolling back the Sandinista regime, controversy over financial support for the *contra* opposition movement, and massive support for the Duarte government in El Salvador kept U.S. domestic attention preoccupied over the past eight years. Meanwhile, relations with the United States' larger and more influential South American neighbors such as Brazil and Argentina have received relative inattention.

This Note examines the influence that the United States and the Soviet Union have with Argentina, a large, powerful, and relatively developed nation within the Latin American community. Argentina holds a leading role among nonaligned countries, participates in Latin American economic integration programs, and has been an outspoken member of both the Group of Six and the Group of Eight.² Argentina's

¹The 1947 Inter-American Treaty of Reciprocal Assistance, or Rio Treaty, obliges signatories to resolve controversies through peaceful settlement and provides for collective assistance in the event of an armed attack upon an American state. See Bowman and Harris (eds.), *Multilateral Treaties*, London: Butterworth, 1984, p. 131.

²The Group of Six includes Argentina, Greece, India, Mexico, Sweden, and Tanzania. This group of nonaligned nations seeks to promote nuclear disarmament between the superpowers. However, many U.S. foreign policy experts do not believe the Group holds much bargaining power since several of its members, including Argentina, have refused to sign the Nuclear Nonproliferation Treaty (NPT). The Group of Eight includes Argentina, Brazil, Colombia, Mexico, Peru, Uruguay, Venezuela and, until recently, Panama. It is a forum to discuss and coordinate Latin American political and economic issues. The Group of Eight serves essentially

Foreign Minister, Dante Caputo, was elected President of the United Nations General Assembly in 1988, a symbol of the growing respect Argentina enjoys within the world community. And perhaps most notably, the 1983 election of Dr. Raúl Alfonsín marked Argentina's return to democracy and the most recent attempt to break its historical cycle of periodic military coups.

But Argentina is also Latin America's largest trading partner with the Soviet Union, a development that some U.S. defense planners fear signals substantial Soviet influence in the so-called Southern Cone region of South America. Present relations between the countries do not constitute an immediate threat to U.S. interests. However, initiatives by the United States to cultivate its long-term influence in the Southern Cone will require some subtlety to avoid unintentionally facilitating Soviet influence. Past programs that successfully developed inter-American defense efforts may not be as appropriate in a present-day Argentina that is anti-authoritarian. In the words of political scientist Robert Leiken, "...how can the U.S. oppose hegemonist designs without seeming to restore American hegemony?"³

Furthermore, Argentine nonalignment, as well as the nonalignment of other Latin American countries, suggests that the United States may be required to accept coexistence of East and West superpower influence within individual nations. For regionally oriented policy analyses, particularly those involving Argentina, the question at hand may not be how best to avoid any Soviet influence upon that nation but, rather, what amount of diversity in leverage over Argentine policy is the United States willing to tolerate.⁴

This Note is intended to serve as background information for U.S. military planners who design and implement--or otherwise plan, evaluate, consider, or carry out--the U.S. Army's role in Argentina and elsewhere in Latin America. Beyond recommending how military assistance programs should be implemented, the Army itself has little say about U.S. foreign policy in the region. Although this Note makes some recommendations about the character of the Army's military assistance program in Argentina, direct policy implications are not the principal output of the research reported

the same function as the Organization of American States, but with the notable exclusion of U.S. representation. See *Alfonsín Comments on Group of Eight's Goals*, FBIS-LADR, 26 October 1988, pp. 26-27.

³Robert S. Leiken, *Soviet Strategy in Latin America*, New York, Praeger Publishers, 1982, p. 72.

⁴See Viron P. Vaky, "Political Change in Latin America: A Foreign Policy Dilemma for the U.S.," *Journal of Inter American Studies and World Affairs*, Vol. 28, No. 2, Summer 1986, pp. 1-15.

here. Instead, this Note is intended to sensitize Army planners to the political and economic conditions of modern-day Argentina. A further objective is to define the limitations and the appropriateness of U.S. and Army policy tools as they relate to Argentina.

The Note is divided into sections that examine each of three policy perspectives: those of Argentina, the Soviet Union, and the United States. Section II provides a brief background on the political economy of Argentina, as well as its trade and military links with the Soviet Union. Section III examines why the Southern Cone region of Latin America might be an area of interest to the USSR and then places Soviet-Argentine relations within the broader context of Soviet relations with the Third World. Section IV discusses U.S. policy interests in Argentina. Section V reviews the Note's conclusions and discusses the character of current military assistance programs between the United States and Argentina. Appendix A provides tables of trade data between the Soviet Union and Latin America; App. B gives arms import data for Argentina.

II. THE ARGENTINE PERSPECTIVE

An understanding of Argentina's distinctive situation is necessary to comprehend its perspective toward relations with the Soviet Union and the United States. This section begins with a brief discussion of Argentina's political economy. Argentina faces a precarious economic situation, a strained relationship between military and civilian leaders, and renewed tensions with Great Britain over the Malvinas/Falkland Islands. Next, the section examines Soviet-Argentine trade flows in some detail to assess the strength of the economic relationship between the two countries. The section concludes by looking at present and potential military ties between Argentina and the Soviet Union.

ARGENTINE POLITICAL ECONOMY

Argentina has suffered from as much economic as political volatility. Its populace is well-educated and historically has demanded substantial public sector services. The Perón-inspired tradition of socialism and nationalism in this country make more recent attempts at economic stabilization measures problematic: austerity may indeed help its economy, but it also breeds public opposition. Both President Alfonsín and his successor, face the difficult task of imposing politically painful stabilization measures while trying to maintain popular support.

Economic Policies Under the Previous Military Junta

Under Lieutenant General Jorge Videla, Economy Minister José Martínez de Hoy implemented free-market policies and a deliberately overvalued currency in the boom period of 1978-80. The program was initially a success, resulting in a decline in inflation and increases in investment. Fiscal restraint was disregarded, however, and extensive military purchases led to large budget deficits. An overvalued peso was implemented to control inflation and stimulate efficiency in domestic production through import competition. Instead, imports became so cheap that many local industries were forced into bankruptcy. As Videla and Martínez de Hoy left office in 1980, Lieutenant General Roberto Viola's new administration faced an economic collapse. Inflation skyrocketed as the peso fell by more than 400 percent.¹

¹Edward Schumacher, "Argentina and Democracy," *Foreign Affairs*, Vol. 62, No. 5, Summer 1985, p. 1077.

Meanwhile, total gross external debt began its steep rise from \$6.4 billion in 1976 to \$38 billion in 1982.² By 1984, Argentina's position as one of the world's largest debtor nations was widely apparent after incurring \$45.8 billion in total external liabilities.³ Today Argentina holds approximately \$56 billion in gross external liabilities.

In December 1981, the debt situation exacerbated the perception that Viola's regime lacked control, and Viola was replaced in a coup by Lieutenant General Leopoldo Galtieri, commander-in-chief of the army. By the time Galtieri took office, however, political support for the military was deteriorating and labor strikes became ubiquitous. It has been suggested by many analysts that the junta entered into the Malvinas/Falklands conflict in 1982 to divert attention away from their crumbling legitimacy and toward a nationalist goal.⁴ The military regime agreed to free elections in 1983 after being discredited by allegations of human rights abuses, ineffectiveness in implementing economic reforms, and, of course, the loss of the war.

Economic Policies Under Alfonsín

Raúl Alfonsín's 1983 election has been widely hailed as a success for democracy. Yet Alfonsín's administration has not been successful in providing the economic stability that is needed to reinforce democratic stability.

When he took office, Alfonsín faced pressure from the International Monetary Fund (IMF) to impose orthodox stabilization plans and austerity measures. Simultaneously, Peronist labor unions demanded that Alfonsín repudiate the debt. The Alfonsín administration attempted to compromise by developing stabilization packages that avoided sacrificing Argentina's economic growth for extreme austerity. The Austral Plan, introduced in August 1985, was designed to maintain some semblance of autonomy from the "economic imperialists" of the north, yet compromise enough with IMF demands to assure favorable debt refinancing.

The Austral Plan introduced a new currency (the Austral), drastically reduced monetary creation, imposed wage and price controls for an upper hand on inflation, and

²Ibid.

³The World Bank, *World Development Report, 1986*, New York: The Oxford University Press, 1986, p. 209.

⁴See, for example, Robert Kaufman, "Democracy and Authoritarian Responses to the Debt Issue: Argentina, Brazil, Mexico," *International Organization*, Vol. 39, No. 3, Summer 1985, p. 487. However, members of the Argentine military continue to argue that military conflict was unintended. (Author's interview with a high-level Argentine military officer, October 1988)

attempted to reduce the government deficit via spending cuts and taxation.⁵ By insisting upon room for domestic economic growth and showing an unwillingness to drastically cut public spending, Alfonsín initially gained support for his version of austerity.⁶ Support eroded, however, as economic conditions failed to improve, eventually culminating in the defeat of Alfonsín's party, the Unión Cívica Radical (UCR), in 1987 elections for seats to the Chamber of Deputies.

Economic growth rates dropped from 6 percent in 1986 to just 2 percent in 1987. Meanwhile inflation raged to 180 percent in 1987 and grew to almost 400 percent in 1988.⁷ Uncontrollable inflation has been the bane of the UCR, since real wages eroded to two thirds of what they were when Alfonsín was elected to office.⁸ The long-term ineffectiveness of the Austral Plan was due partly to the government's slowness to implement budget-cutting efforts as well as the success labor unions had in demanding circumvention of wage and price controls. Today government spending remains high and Argentina continues to run a fiscal deficit of 7 percent of its GDP.⁹ Operating losses from the nation's 13 state-owned companies account for 51 percent of the fiscal deficit.¹⁰

The root of most economic problems continues to be Argentina's enormous debt burden. In 1985, for example, its \$48 billion in gross external debt amounted to about 80 percent of the value of goods and services produced in Argentina that year. The World Bank estimates that Argentina's total external debt was over four and a half times its earnings on exports of goods and services. Interest payments on public and publicly guaranteed debt comprised 33.6 percent of export earnings in 1985.¹¹

In addition to holding claim to much of Argentina's debt, the United States provides a "safe haven" for Latin American capital. Capital flight has allegedly eroded much of Argentina's tax base, raising inflation or tax rates for those unable to invest

⁵For a more extensive look at the Austral Plan, see Rudiger Dornbusch, "A New Chance for Argentina," *Challenge*, Vol. 28, No. 6, January- February 1986, pp. 15-20.

⁶Ranis, p. 31.

⁷"Sharp Fall in GDP Growth in Argentina," *Latin American Regional Reports--Southern Cone*, RS-88-01, 4 February 1988, p. 4. *1988 Inflation Rate Reaches 387.7 Percent*, FBIS-LADR, 10 January 1989, p. 50.

⁸Bradley Graham, "Argentina's Democracy Faces a Test," *The Washington Post National Weekly Edition*, 8-14 August 1988, pp. 18-19.

⁹"Doubts Over Targets Agreed With IMF," *Latin American Regional Reports--Southern Cone*, RS-88-03, 21 April 1988, p. 2.

¹⁰Alan Riding, "Argentina's Privatization Battle," *New York Times*, 28 November 1988, p. C9.

¹¹*World Debt Tables*, Washington, D.C.: The World Bank, 1987, p. 269.

abroad and thus worsening political pressures against Alfonsín.¹² Table A.1 in App. A provides some estimates of the magnitude of capital outflow from Latin American countries.

Debt of this magnitude has numerous implications for U.S.-Argentine relations. The most notable is the political vulnerability President Alfonsín faces due to the debt crisis. Western bankers are reluctant to cooperate with debt restructuring plans without guarantees that Alfonsín's administration will tackle Argentina's structural problems-- bloated public sector, anti-export biases, etc. Yet public opposition to austerity measures dictated by the IMF and World Bank remains strong. Alfonsín's initial success with the Austral Plan was due in part to his ostensibly tough stand against IMF orthodoxy.¹³

Civil-Military Relations

During the late 1970s and early 1980s, an estimated nine thousand Argentine civilians "disappeared" at the hand of their ruling military junta. The military had launched a large-scale anti-insurgency campaign to control the left-wing Montonero urban guerrilla movement. The so-called Dirty War campaign has become world renown for its brutality, and public trials of former military leaders have been the focus of much attention.

It was also during the military junta's tenure that Argentina provided limited financial assistance and military training to the anti-Sandinista *contra* forces based in Honduras. The Argentine military regime signed an assistance pact with the Nicaraguan Democratic Force (FDN) in 1981 on the condition that that resistance factions--"civilian" groups as well as former National Guardsmen--join forces as a united movement.¹⁴ Argentine military trainers, however, appeared to favor former National Guardsmen under the leadership of Enrique Bermúdez over "civilian" *contra* leaders such as José Francisco Cardenal. In light of Argentina's own insurgency problem, the military junta was particularly concerned about the presence of Montoneros in Central America.¹⁵ According to journalist Shirley Christian, Cardenal found that "the Argentines were interested in getting rid of Communists and not particularly concerned about establishing political democracy in Nicaragua."¹⁶ Argentina's role in training the *contras* was

¹²Rudiger Dornbusch, p. 18.

¹³"Democracy and Austerity," *Dollars and Sense*, May 1986, pp. 8-10.

¹⁴Shirley Christian, *Nicaragua: Revolution in the Family*, New York: Vintage Books, 1986, pp. 230-235.

¹⁵Christian, p. 358.

¹⁶Christian, p. 233.

significantly reduced after the United States sided with Great Britain in the 1982 Malvinas/Falklands War.¹⁷

President Alfonsín initially made the deliverance of justice to the military for Dirty War atrocities a major campaign issue in his 1983 election. Over the course of his presidency, however, he was forced to take a more conciliatory stance toward civil-military relations. Initial human rights abuse trials were beneficial both to the Argentine public and the military, for they rid the armed forces of those generals most widely accused of "excesses" and thereby restored some degree of credibility to the military. Officers accused of crimes have shown little remorse, however, and the trials have sparked military backlash.

Some critics argue that Argentina is undergoing a "reauthoritarianism under the guise of redemocratization," with the military merely biding time until their legitimacy is restored.¹⁸ Others argue that while the military was guilty of some human rights abuses in the Dirty War, they were operating against a formidable insurgency threat. Furthermore, it is argued, those junior officers who carried out the orders of their superiors should not be held directly responsible for the "excesses" committed.

In an effort to moderate the country's position on its military, the Alfonsín administration submitted a "Full Stop" bill to its Congress in December 1986. Under this legislation, a statute of limitations frees those leaders under suspicion who have not been charged with criminal activities three years after the initiation of their investigation.¹⁹ In June 1987, the Argentine Congress also passed the "Due Obedience" bill which frees lower-ranking military and police officers from prosecution. The decision to drop or continue legal proceedings is based on whether or not those charged exercised "decision-making capacity." Public opposition to both bills was strong.²⁰

Civil-military tensions are formidable and have erupted in three military uprisings within two years. The first occurred in April 1987, when Major Ernesto Guillermo Barreiro failed to appear before the Córdoba Federal Appellate Court to which he had been called for questioning about human rights violations. Supported by other mid-level

¹⁷Christian, p. 359.

¹⁸See Cecilia Rodríguez, "A Military Menace Hides Behind Latin America's New Democracy," *Los Angeles Times*, 30 November 1986, pp. 3, 6. Also Carlos Fuentes, "Power Against the People," *Newsweek*, 21 April 1986, p. 41.

¹⁹*Alfonsín Speech Explains Full Stop Proposal*, FBIS-LADR, 8 December 1986, pp. B1-B5.

²⁰See, for example, *8,000 Protest Against Due Obedience Bill*, FBIS-LADR, 22 May 1987, p. B1.

officers at the 14th Infantry Regiment near Córdoba. Barriero repeatedly declared that he would only recognize the judges of the Argentine Armed Forces Supreme Council and barricaded himself.

Barreiro's insubordination prompted other acts of rebellion and warnings of a coup attempt. Rebels demanded amnesty for officers accused of "excesses" during the Dirty War and the retirement of 23 active-duty generals, including Army chief of staff General Héctor Ríos Ereñú. In a dramatic Easter day meeting, President Alfonsín spoke with Lt. Col. Aldo Rico, rebel leader at the Campo de Mayo infantry school twenty miles north of Buenos Aires. The meeting ended a four-day mutiny and quelled the uprisings. Alfonsín received the unprecedented and unequivocal support of political rivals, labor leaders and the general public. Later disclosure that General Ereñú was retiring tarnished Alfonsín's success, prompting speculation that Alfonsín had negotiated with the rebels.

A second military uprising occurred in mid January 1988--the so-called Monte Caseros incident--after the passage of the Due Obedience law in 1987. As in the Holy Week uprisings of 1987, Lt. Col. Aldo Rico attempted to lead the military into open mutiny. His second attempt attracted fewer compatriots than the first, however, and Army chief of staff General José Dante Caridi was able to suppress the rebellion within three days.²¹

President Alfonsín gave General Caridi much more latitude in suppressing the second rebellion than the Army had had in the Holy Week uprisings.²² Caridi attempted to maintain credibility among his officers by voicing some of their demands to the civil government. For example, he successfully lobbied for military wage increases. Caridi also publicly stated that the Army "is waiting to be vindicated by history" for its actions against the insurgency movement of the 1970s.²³

A third uprising began on December 1, 1988 when some 60 coast guards and 400 Army soldiers barricaded themselves in the Campo de Mayo infantry school. The rebels were led by Colonel Mohammed Ali Seineldín, an Argentine military trainer who had recently returned from Panama.²⁴ Colonel Seineldín was reportedly passed over for

²¹"Suppression of Rico Rebellion Shows Extent of Change in Argentine," *Latin American Weekly Report*, WR-88-04, 28 January 1988, p. 1.

²²"Incidents Test Alfonsín's Army Policy," *Latin American Regional Reports--Southern Cone*, RS-87-08, 15 October 1987, pp. 5-6.

²³*Military Chiefs on Tension Within Armed Forces*, FBIS-LADR, 7 October 1988, p. 20.

²⁴It has been suggested by members of the conservative Central Democratic Union party that the Panamanian Defense Forces (FDP) led by General Manuel Noriega collaborated and/or helped finance Col. Seineldín's uprising. Seineldín flatly denies this charge. See *Seineldín's Wife Denies Foreign Intervention*, FBIS-LADR, 12 December 1988, p. 26.

general because of his sympathies for Lt. Col. Rico.²⁵ The colonel and his followers demanded a larger military budget, including higher pay for soldiers, amnesty for all officers accused or committed of Dirty War crimes, and personnel changes in the Army's high command.²⁶

President Alfonsín cut short his trip to the United States at the time of the third uprising, and sent specific orders to Army Chief of Staff Caridi to end the rebellion without negotiation. It appears, however, that Caridi did compromise with Seineldín to end the dispute. In particular, only Col. Seineldín and the coast guards were arrested for their role in the uprising. In return, General Caridi resigned as Chief of Staff and was replaced by General Francisco Gassino, a specialist in military intelligence.

Prior to the third military uprising, Argentine legislators had questioned the military's commitment to democracy because of proposals allegedly made at the November 1987 Armies of the Americas conference. In documents leaked to two left-leaning Buenos Aires newspapers, representatives of 17 American armies were said to express the view that subversion by communist movements is a growing threat during this period of democratization. Argentine legislators argue that this same attitude led to the "excesses" of the 1970s.²⁷

Meanwhile, the Argentine Congress took steps to curb military power. For example, a law passed in April 1988 explicitly forbids the involvement of the armed forces in domestic civil conflicts and ultimate control of the military was placed in the hands of a civilian national defense council.²⁸ Also, privatization of the country's weapons production firms is designed to counter the military's influence.

On top of an already precarious situation, Argentine civil-military relations now face a new crisis. In a shocking turn of events, members of the ultra leftist People's Resistance Front (FRP) raided La Tablada Army base southwest of Buenos Aires on January 23, 1989. It had been widely thought that all leftist groups were eradicated during the Dirty War by the Argentine Army. Twenty-eight rebels, seven Army soldiers, and one provincial police officer were killed in the battle, and some 20 other civilian

²⁵Shirley Christian, "Troops in Argentina End Rebellion," *New York Times*, 5 December 1988, p. A3.

²⁶"Is There No End to Argentina's Tumultuous Colonels?" *The Economist*, 10 December 1988, pp. 43-44.

²⁷"National Security Is Alive and Well," *Latin American Weekly Report*, WR-88-36, 15 September 1988, p. 5.

²⁸"Defense Law Bans Internal Action," *Latin American Weekly Report*, WR-88-16, 28 April 1988, p. 2.

attackers were captured. A Buenos Aires newspaper reported that two Peruvian, one Angolan, and one Nicaraguan were among the dead. Several informants to one paper linked the rebels to the Peruvian terrorist group, Sendero Luminoso.²⁹ These reports were never substantiated.

There was much confusion over who launched the attack and their motives, particularly since the battle was against clearly insurmountable odds. Pamphlets taken from the bodies of the attackers claimed that they were part of a new Argentine army and sympathizers with leaders of the three previous military rebellions.³⁰ Military intelligence officials, however, suggest that tactics used by the invaders, the presence of female rebels, and the use of Soviet and Chinese-made weapons show that the group was not associated with any part of the Argentine military.³¹ Aides to President Alfonsín produced copies of FRP leaflets that said the action was taken to preempt another military uprising, allegedly being planned by followers of Colonels Rico and Seineldín.³² President Alfonsín established a national security council to coordinate intelligence and anti-subversive actions for the country, but clearly Argentina faces yet another difficult obstacle to a stable democracy.³³

Consolidation of Democracy

Argentina's next presidential elections will be held on May 14, 1989. It is the smooth transition of the presidency from Alfonsín to his successor that many hope will signal democracy's consolidation in Argentina.³⁴

²⁹Some 'Subversives' Identified, FBIS-LADR, 25 January 1989, p. 29.

³⁰Shirley Christian, "Civilian Band Seized Argentine Barracks," *New York Times*, 24 January 1989, p. A3.

³¹Eugene Robinson, "Snipers Extend Fight in Argentina," *Washington Post*, 25 January 1989, pp. A15, A17.

³²"Tough Bunch, Whoever They Were," *The Economist*, 28 January 1989, p. 40.

³³Alfonsín Addresses Nation, FBIS-LADR, 25 January 1989, p. 29.

³⁴This Note was written prior to the May 1989 presidential elections, which were won by Carlos Menem 49%-to-37% over Radical Party candidate Eduardo Angeloz. At this writing, Peronist and Radical parties are attempting to negotiate an accord to speed the transition of power from Alfonsín to Menem prior to the scheduled date of December 10, 1989. Negotiations have stalled over the Peronists' refusal to accept economic stabilization measures that the Radicals would like to see in place. Food riots sparked by hyperinflation and the death of at least 14 looters during the week of May 29, 1989 have made a quick transition of power seem still more urgent. Yet Menem, who supports salary increases for laborers rather than the higher taxes and charges for public services that Radicals endorse, appears to be in no hurry to step into the presidency during such a tumultuous situation. See James F. Smith, "Argentine Parties Still Divided on Transition Accord," *Los Angeles Times*, 23 May 1989, p. 14. James F. Smith, "10 Dead as Argentine Food Riots Spread," *Los Angeles Times*, 31 May 1989, pp. 6-7.

Argentina has already survived two congressional and gubernatorial elections following its return to democracy. In 1983, the UCR won 49 percent of the vote for congressional seats while the *Partido Justicialista* (Peronists) took 40 percent. In 1985 elections, both the UCR and Peronists lost some support to the smaller and more conservative *Unión de Centro Democrático* (UCeDe), with the two major parties winning 43 percent and 34 percent of the congressional vote, respectively.³⁵

In 1987 general elections, the Peronists won 43 percent of the seats in congress, eliminating the UCR's overall majority. The Peronists also won 16 of 21 province governorships.³⁶ Although Alfonsín's personal popularity remains high, he conceded after the UCR's 1987 defeat that the Argentine people blamed his government for their dire economic straits.³⁷ However, the smooth transfer of power from the UCR to the Peronists was also considered a positive sign for continuation of democracy.

The UCR has nominated Eduardo Angeloz, governor of the Córdoba province, as its presidential candidate in the upcoming election. Angeloz advocates drastic cuts in the fiscal deficit and renewed privatization efforts, but fears that the UCR's credibility will be lost unless Alfonsín can cut inflation substantially before May.³⁸ Peronists have selected Carlos Saul Menem, governor of La Rioja province, as their candidate. Although his policies are less protectionist than those offered by Peronists in the past, it is suggested that a Menem presidency would mark the return to power of industrial union leaders.³⁹ The Peronists themselves suffer from internal disagreements between reformers led by Antonio Cafiero, governor of Buenos Aires province, and populist *menemista* labor leaders. The UCeDe has nominated Alvaro Alsogaray, former economy minister, for the presidency.

December 1988 public opinion polls showed Menem in the lead with 25 percent of the vote, Angeloz with 19 percent, Alsogaray with 7 percent, and about 39 percent of

³⁵Congressional Results Are Key to Post Election Argentina," *Southern Cone Report*, RS-87-07, 10 September 1987, p. 1.

³⁶"UCR Takes Heavy Loss in Polls," *Latin American Regional Reports--Southern Cone*, RS-87-08, 15 October 1987, p. 2.

³⁷*Alfonsín Assesses Election Results, Economy*, FBIS-LADR, 22 September 1987, pp. 22-26.

³⁸James F. Smith, "Argentina's Cycle of Military Coups May Be Over," *Los Angeles Times*, Part I, 5 June 1988, pp. 16-17.

³⁹Graham, p. 19.

voters undecided.⁴⁰ The remaining voters are either undecided or favor candidates from one of the smaller leftist parties, including the Communists.

The Role of the Argentine Communist Party (PCA)

The Communist Party in Argentina has not attracted much support among the voting public. Its role in Argentine politics is as an advocate of closer ties between Buenos Aires and Moscow. The PCA's political power is negligible at best and the party mainly serves as an interpreter of Argentina's situation to Moscow.⁴¹

The USSR only nominally supports the PCA. Soviet relations with Argentina have proceeded overtly with bourgeois and nationalistic administrations rather than through the indigenous Communist Party. During the military junta's Dirty War reign, the PCA was permitted an exemption from that administration's imposed ban on political activity.⁴² However, this action was not due to the organization's political clout, but rather the conspicuous absence of PCA criticism that had been inflicted by other left-wing parties upon Isabelita Perón's administration.⁴³

Continued Tensions Over the Falklands

A July 1986 agreement with Bulgaria and the Soviet Union over fishing rights in Argentine waters sparked renewed controversy over the Malvinas/Falkland Islands. The agreements called for exchange of data on catches, fishing techniques, processing, etc.⁴⁴ Argentina's Chamber of Deputies passed these agreements into law in December 1986, authorizing fishing within the nation's 200-mile coastal zone.

⁴⁰Like elections in the United States, the Argentine presidential race has had its share of gaffes and mud slinging. For example the UCR revealed that Peronist Menem signed an appeal to have a jailed Montonero leader's sentence reviewed. Menem countered by noting that as a lawyer in the 1970s, Raúl Alfonsín had defended a guerrilla leader. Meanwhile, UCeDe's candidate Alsogaray hurt his standing by telling a newspaper that he supported a vote for the Pinochet regime in Chile's recent plebiscite. Also, Angeloz managed to draw angry criticism from military leaders following his comment that former military President Leopoldo Galtieri had been "driven by the fumes of alcohol" when he led Argentina into the 1982 war against Great Britain. See "UCR Feels It Has Broken Menem Wave," *Latin American Weekly Report*, WR-88-40, 13 October 1988, pp. 4-5. "Black Wednesday for Alsogaray," *Latin American Weekly Report*, WR-88-41, 20 October 1988, p.5. "Changing Role of Argentine Armed Forces," *Southern Cone Report*, RS-88-06, 4 August 1988, pp. 4-5. *Public Opinion Survey Shows Voter Preference*, FBIS-LADR, 31 January 1989, p. 33.

⁴¹Vaes, *Discreet Partners*, pp. 121-122.

⁴²Arthur S. Banks (ed.), *Political Handbook of the World*. Binghamton, NY: CAS Publications, 1986, p. 27.

⁴³Vaes, *Discreet Partners*, pp. 97-101.

⁴⁴*Fishing Agreement Signed with Argentina*, in FBIS-UIA, 29 July 1986, p. K3.

Controversy arose because Great Britain declared a 200-mile fishing zone around the Malvinas/Falkland Islands as of February 1987, partially overlapping the Argentine zone (See Fig. 2.1). Britain's previous zone of 150 miles around the islands did not overlap Argentina's claim. Britain justified the expansion by its concern for the fish stock in these waters because foreign ships have quadrupled their fishing efforts since the 1982 war. The Falklands government also profits from fishing license revenues, which were expected to total \$35 million in 1988.⁴⁵

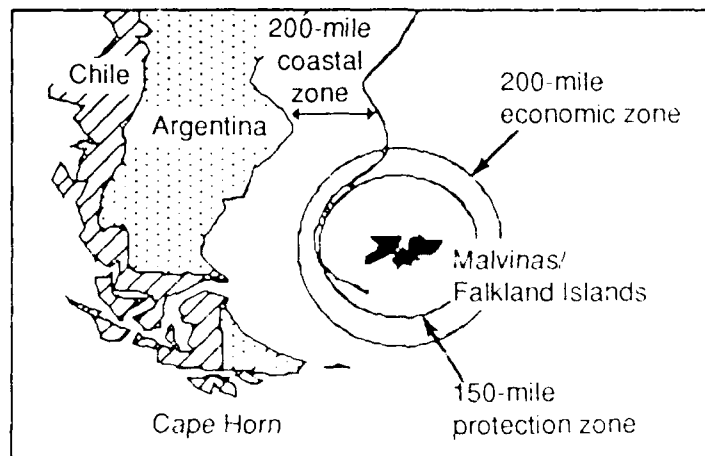


Fig. 2.1-- U.K.-Argentine zone of dispute

Sovereignty over the Malvinas/Falkland Islands still remains an important issue within Argentine politics. The Alfonsín administration ruled out any type of military action to claim the islands, pragmatically recognizing that in its present condition, the Argentine military would be no match for Great Britain. Instead, Argentina called for a negotiated settlement to the dispute, but Britain refuses to engage in talks so long as sovereignty is at issue. Britain's Ministry of Defense has expressed its doubts that the Argentine military is "securely under Government control," and therefore will not rule out the possibility that Argentine military actions against the islands might take place.⁴⁶

⁴⁵James E. Smith, "Argentines Angry as Britain Prepares Falkland Maneuvers," *Los Angeles Times*, Part I, 4 March 1988, p. 6.

⁴⁶Ian Curtis, "UK Defence Committee Releases Report on Falkland Islands Cost Today," *Defense and Foreign Affairs Daily*, Vol. 16, No. 129, 9 July 1987, p. 1.

Naval reinforcement maneuvers held by Britain in March 1988 angered both Alfonsín and the Argentine military. Although the Fire Focus maneuvers had been announced well in advance, Argentine officials argue that they were insensitive, ill-timed, and provocative since they fell so closely on the heels of the Monte Caseros military uprising. Argentine Foreign Minister Dante Caputo launched a diplomatic offensive within the United Nations, the Organization of American States, and directly with the United States as a result of the exercises.⁴⁷

The U.S. State Department has initiated an exchange of unofficial documents (nonpapers) between the two countries, part of its efforts to bolster democracy in Argentina. Direct negotiations are expected to be resumed with London if the State Department's mediation efforts continue to progress.⁴⁸

SOVIET-ARGENTINE TRADE RELATIONS

Economic cooperation between Argentina and the Soviet Union began in the 1920s. Historically a rocky relationship, it has expanded dramatically over the past twenty years.

Postwar economic relations were hampered by the intense nationalism and anti-communism of past Argentine administrations. Although Juan Perón's government diplomatically recognized the USSR as an emerging Great Power, it remained cool to the establishment of close economic ties due to the fear that the Cold War might jeopardize Argentina's relations with the Western bloc, on which it was economically dependent.

The emergence of a series of military juntas during the 1960s reinforced Argentina's anti-communism and essentially froze relations between the two countries. However, the 1971 administration of General Alejandro Lanusse marked a turning point in economic relations. Lanusse adopted the policy of Ideological Pluralism, discarding blatant anti-communism for flexibility in Argentina's foreign affairs. This cleared the way for trade agreements with the USSR and helped develop Argentina's export economy.

In 1971 Lanusse signed the General Trade Agreement with the Soviet Union, formalizing bilateral ties. This document specified Most Favored Nation (MFN) status between the countries, asked that both parties attempt to increase the share of

⁴⁷Harold Briley, "U.K. Maneuvers in Falklands Anger Argentina," *Defense News*, 22 February 1988, p. 14.

⁴⁸Caputo Acknowledges Upcoming Talks with U.K., FBIS-LADR, 14 November 1988, p. 32.

manufactured goods in trade, and originally required that payments be made in freely convertible currency.⁴⁹ Subsequent agreements have permitted barter transactions.

Perónism returned to Argentina in the 1973 general elections, and economic relations with the USSR continued to grow. The Peronists advocated their previous position of neutrality between the superpowers. This time, however, liberal trade relations with the Soviet Union permitted more active reduction of Argentina's economic dependency on the developed West.

A series of extensive bilateral agreements was signed in 1974, formalizing ties in scientific and technical cooperation, shipments of machinery and equipment, and navigation. That same year, the Soviet-Argentine Joint Commission on Trade, Economic, Scientific and Technical Cooperation was formed to develop cooperation and implement agreements in areas of mutual benefit to the two countries (see Table 2.1). These agreements marked the major watershed in bilateral trade relations and the number of more specific agreements has grown tremendously since 1971.

Another notable expansion of trade ties occurred with the grain supply deal of July 1980 between the USSR and Argentina, which was secured following President Carter's grain embargo of the Soviet Union. Carter imposed the embargo as a response to the USSR's invasion of Afghanistan, and persuaded other grain-exporting U.S. allies to participate as well. Argentina, however, saw the situation as an opportunity to increase its export earnings. The USSR agreed to import a minimum of 4.5 million metric tons of grain and 60,000 metric tons of beef annually from Argentina over the 1980-85 period. Soviet-Argentine trade in nuclear fuel began in 1982 when the Argentines purchased five tons of heavy water in order to top up their Atucha-I nuclear station. Uranium shipments were also sent to the USSR to be enriched by 20 percent for Argentina's reactors. A formal trade agreement was signed in 1982 on the enrichment of nuclear fuel.⁵⁰ Previously the United States provided Argentina with nuclear fuel for its research reactors. Shipments were cut off in 1978 by the Nuclear Non-Proliferation Act which banned sales to countries that refuse to accept certain safeguards. Argentina has not signed the 1968 Non Proliferation Treaty (NPT) and did not ratify the 1967 Treaty of Tlatelolco, both of which call for the prevention of spread of nuclear weapons.⁵¹

⁴⁹"Trade Agreement Between the Government of the USSR and the Government of the Republic of Argentina," *Foreign Trade*, Vol. 6, 1974, pp. 57-58.

⁵⁰"Argentine Power: Soviets Help," *Nature*, Vol. 289, 22 January 1981, p. 214.

⁵¹The Treaty of Tlatelolco calls for the ban of development or use of atomic weapons in Latin America.

Table 2.1

WATERSHED TRADE AGREEMENTS BETWEEN ARGENTINA AND THE USSR

Year	Administration	Trade Sector	Description
1971	Lanusse	General Trade Agreement	MFN status established. Emphasized trade of manufactured goods.
1974	Juan Perón	Agreement on Development of Scientific and Technical Cooperation	Established Joint Commission on Trade, Economic, Scientific and Technical Cooperation. Meets annually.
1974	Juan Perón	Agreement on Shipment of Machines and Equipment	Promoted Argentine purchases of Soviet machinery. 10-year payback periods at 4-6 percent rates.
1974	Juan Perón	Agreement on Scientific and Technical Cooperation	Promoted exchange of experts and technical information.
1974	Juan Perón	Agreement on Navigation	Permitted USSR Ministry of Maritime Fleet to open office in Buenos Aires (1982). Maintenance work on Soviet vessels completed by Argentine workers in exchange for navigation rights.
1980	Videla	Grain Supply Agreement, 1980-85	USSR agreed to import minimum of 4.5 million metric tons of grain and 60,000 metric tons of beef annually.
1982	Galtieri	Agreement on the Enrichment of Nuclear Fuel	USSR agreed to enrich Argentine uranium shipments by 20 percent and supply heavy water.

Other ties between the nations include an Argentine-Soviet Chamber of Commerce, set up to facilitate contacts between Soviet foreign trade organizations and private Argentine firms. The Soviet enterprise Aeroflot established regular commercial airline flights between Buenos Aires and Moscow in March 1983. And as previously mentioned, a July 1986 fishing agreement expanded maritime cooperation between the Soviet Union and Argentina.

Trade Flows

Table 2.2 shows the nations to which Argentina exports its goods. The Soviet Union was the leading recipient nation of Argentine exports until 1985, after which it was surpassed by the United States. The USSR accounted for 14 percent of Argentina's world exports in 1985, after declining from a high of 32 percent of its export earnings in 1981. As Table 2.2 shows, however, the Soviets purchased substantially fewer Argentine exports in 1986 and 1987.

Figure 2.2 shows Argentine exports to industrial nations, Soviet allies, and Latin American countries between 1979-87. Western industrialized nations continue to purchase the majority of Argentina's exports, and have tended to be stable purchasers over the nine-year period.

Table 2.3 shows the Soviet Union's recent merchandise trade balances with Argentina. The trade relationship between these countries tends to be extremely one-sided: an Argentine balance of trade surplus has been persistent throughout the period. The Soviets view Argentine trade relations to be in their best interest, in terms of maintaining a reliable supplier of grain and keeping a presence within the Southern Cone region. However, in his October 1987 trip to South America, Soviet Foreign Minister Eduard Shevardnadze expressed his displeasure with the imbalance.⁵²

⁵²Tim Coone, "Argentine-Soviet Discussions Focus on Finances and Disarmament," *Christian Science Monitor*, 5 October 1987, p. 12.

Table 2.2

PRINCIPAL TRADING PARTNERS, ARGENTINE EXPORTS, 1983-87

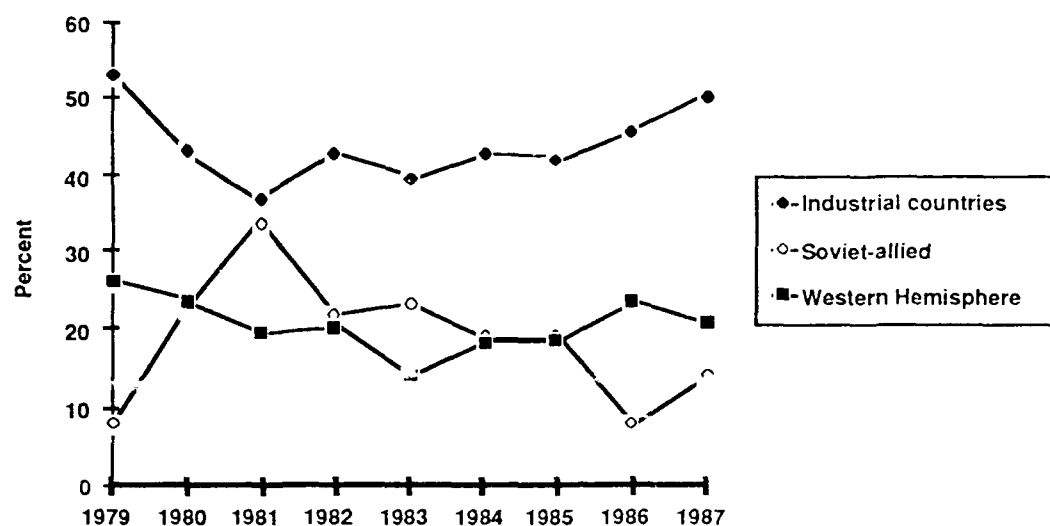
(millions of U.S. \$)

Country	1983	1984	1985	1986	1987
Belgium/Luxembourg	123.3	207.2	148.8	190.5	175.8 ^a
Bolivia	56.4	88.2	69.3	60.5	87.4 ^b
Brazil	358.4	478.2	496.3	698.1	523.7 ^a
Canada	32.1	49.0	58.8	53.8	73.0 ^a
Chile	188.9	149.9	111.1	136.8	147.7 ^b
China, People's Rep.	498.6	74.9	311.0	252.1	270.9 ^a
Colombia	59.5	60.6	132.7	61.0	50.5 ^b
Cuba	128.4	233.7	283.4	181.5	135.3 ^b
Czechoslovakia	31.0	93.7	58.0	94.7	77.1 ^b
Egypt	88.6	67.2	143.7	90.8	35.6 ^b
France	133.5	132.1	122.3	102.9	143.5 ^a
FRG	248.7	297.6	289.2	352.8	409.5 ^a
India	37.9	163.7	55.4	38.5	35.3 ^b
Iran	396.4	430.2	313.9	256.3	187.6 ^b
Italy	340.3	377.2	300.7	285.5	251.4 ^a
Japan	376.6	271.2	360.9	391.1	232.3 ^a
Mexico	33.4	171.6	255.5	158.3	57.2 ^b
Netherlands	734.9	892.5	856.4	735.8	581.5 ^a
Paraguay	87.3	94.4	72.2	67.4	58.6 ^b
Peru	94.6	127.9	162.0	189.1	118.2 ^a
Poland	17.5	121.5	98.2	100.7	18.6 ^b
Portugal	23.6	59.2	73.9	96.1	37.2 ^a
South Africa	172.0	122.7	77.4	46.5	40.9 ^b
Spain	198.3	232.7	230.9	170.6	161.2 ^a
United States	773.2	876.9	1,027.9	705.6	958.4 ^a
USSR	1,635.9	1,187.8	1,212.7	208.8	634.0 ^b
Uruguay	76.8	82.9	99.0	129.3	162.3 ^a
Venezuela	58.4	114.0	72.8	44.8	53.3 ^b
World Total	7,835.7	8,101.3	8,396.1	6,851.9	6,401.6

SOURCE: International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1988, Washington, D.C.: IMF Publications, 1988, pp. 82-84.

^aTen months of reported data, two months derived from partner.

^bTen months of reported data, two months extrapolated.



Industrial countries include the United States, Canada, Australia, Japan, New Zealand, Austria, Belgium, Denmark, Finland, France, FRG, Iceland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, and the UK.

Soviet-allied countries include Albania, Bulgaria, Cuba, Czechoslovakia, GDR, Mongolia, North Korea, Poland, and the USSR.

Western Hemisphere excludes the United States and Canada.

SOURCE: International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1988, Washington, D.C.: IMF Publications, 1988, pp. 82-84.

Fig. 2.2—Distribution of Argentine exports

Table 2.3

ARGENTINE-SOVIET MERCHANDISE TRADE BALANCE, 1981-87

(millions of current U.S. \$)

	1981	1982	1983	1984	1985	1986	1987
Exports to USSR	2,963.2	1,586.4	1,635.9	1,187.8	1,212.7	208.8	634.0 ^a
Imports from USSR	32.4	33.3	31.5	35.6	41.9	59.2	92.9 ^a
Argentine trade balance	2,930.8	1,553.1	1,604.4	1,152.2	1,170.8	149.6	541.1

SOURCE: *Direction of Trade Statistics*, 1988, p. 83.

^aTen months of reported data, two months extrapolated.

As the magnitude of their trade ties testifies, Argentine-Soviet economic relations are well-embedded. The USSR is one of Argentina's biggest buyer of exports, largely in the form of grain and meat. The majority of Argentine imports, however, still come from the United States and western industrialized nations. Both the Soviet Union and its allies have maintained balance of trade deficits with Argentina for extended periods, yet the volume of trade between these nations remained high until 1986.⁵³ Any leverage that the Soviets may exert over Argentina lies in the fact that it accounts for a significant percentage of that nation's export market.

Factors Behind Growing Trade Ties

Discussed below are some reasons why Soviet-Argentine economic ties have grown substantially.

- Preferable conditions of trade
- Lessened dependency on western developed countries
- Institutionalization of trade ties with the USSR

1. Preferable conditions of trade. The Soviets demonstrate their commitment to bilateral ties by extending relatively long-term contracts for exports, thereby assuring Argentina of a fairly stable output market. The USSR committed itself to minimum annual purchases in its 1980 grain agreement with Argentina for a five-year period. Minimum sales were frequently surpassed and another five-year agreement was signed in 1986. The second commitment was signed despite Argentina's persistent trade surplus.

Argentine Foreign Minister Dante Caputo paid lip-service to the lopsidedness of their economic relationship when he commented in Moscow "that both sides intend to take measures for a gradual balancing of bilateral trade."⁵⁴ Lack of progress on reducing the imbalance, however, as well as the lifting of the U.S. embargo on grain sales to the Soviet Union probably account for the decline in bilateral trade volume over 1986-87. At the USSR's request, Argentina has agreed to import at least \$500 million in Soviet goods over the 1987-91 period. Major projects such as the dredging of the Bahia Blanca port

⁵³It was in 1986 that the United States lifted its embargo on grain sales to the Soviet Union.

⁵⁴*Press Conference Held*, FBIS-UIA, 30 January 1986, p. K5.

and the construction of the Piedra del Aguila hydroelectric plant will account for a major portion of that trade over the five-year period.⁵⁵

Soviet machinery and equipment purchases by Argentina have been accompanied by desirable conditions of trade. Long payback periods (ten years on average), low interest rates (4-6 percent) and technological assistance make the USSR an attractive trade partner.

2. Lessened dependency on western developed nations. By diversifying trade markets to include communist nations, Argentina is able to reduce its dependence on the United States and the developed west. This is an important goal for Argentina, as it is for many Latin American nations that hope to overcome what they perceive to be U.S. economic imperialism in the Western Hemisphere.

Argentina currently holds \$56 billion in external liabilities, much of which is owed to U.S. banks. Many Latin Americans are resentful of this overwhelming burden on their economies, as well as the austerity measures imposed as a prerequisite to IMF assistance or renegotiation of loans. Sales to the Soviet Union provide Argentina with some desperately needed export earnings to help service this debt.

Turning to the communist world as an alternative export market also serves as a symbolic act against U.S. hegemony in Latin America. Argentina has long held the view that it should maintain a neutral position between the superpowers, best enunciated by Perón's Third Position and Lanusse's Ideological Pluralism. Steps to establish economic ties with communist nations are partly intended to maintain equidistance between the superpowers.

3. Institutionalized trade ties with the USSR. Institutionalized ties have two specific results. First, they prompt the organization of interest groups within Argentine politics who support Soviet trade. Second, formal commissions with regular meetings and structured interaction reduce the uncertainty endemic in coordination of trade. Institutionalization of ties leaves economic trade with the Soviet Union less vulnerable to political whims.

The Soviet strategy for securing economic ties with Argentina has organizationally committed the partners to continued relations. Numerous trade agreements have been signed between the two countries at the state-to-state level. These agreements have

⁵⁵*Trade Volumes With Soviet Union Reviewed*, FBIS-LADR Am ex, 3 November 1988, p. 1. Tim Coone, "Argentine-Soviet Discussions Focus on Finances and Disarmament," *Christian Science Monitor*, 5 October 1987, p. 12.

frequently been accompanied by formal commissions and delegations that meet regularly to maintain and enhance their trade ties.

One such group is the Joint Commission on Trade, Economic, Scientific and Technical Cooperation, which meets annually. Other organizations include the Argentine-Soviet Chamber of Commerce, which facilitates contact between Soviet foreign trade organizations and private Argentine firms. Additionally, regional organizations and governments in Argentina have promoted their specialty items, e.g., Mendoza wine or Patagonia wool in exchange for infrastructure items such as trolleycars and road construction equipment.

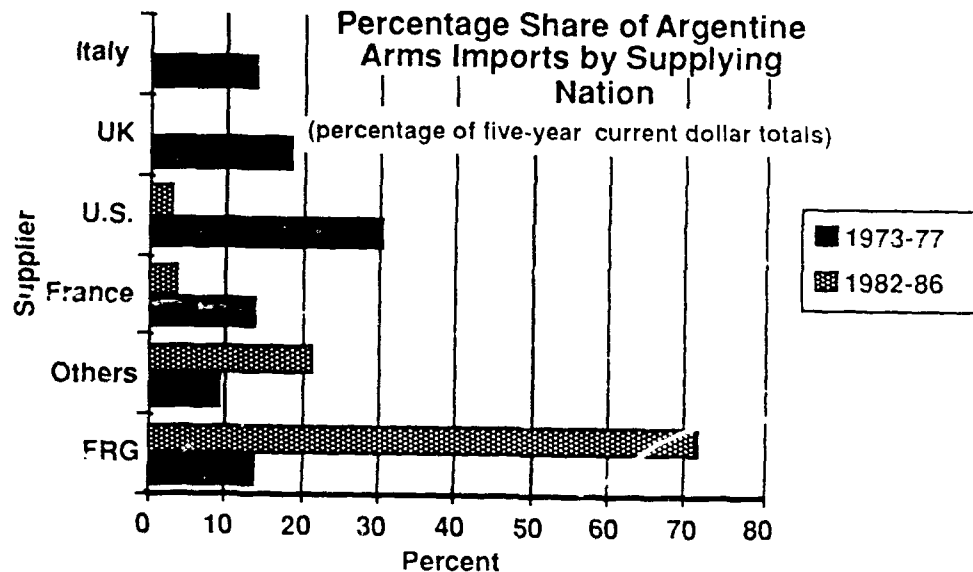
LIMITED MILITARY TIES

Next we turn to the limited military ties that exist between Argentina and the Soviet Union. We also look at the potential for Soviet intelligence-gathering activities in Argentina.

Argentina's Weapons Suppliers Do Not Include the USSR

According to publicly available data, Argentina has not purchased weapons from the Soviet Union.⁵⁶ Instead, Argentina has relied upon the United States and other countries of Western Europe as suppliers. As Fig. 2.3 shows, the share of imports supplied by the United States has declined substantially since the 1970s and West Germany has increasingly supplied Argentina's arms imports. Additionally, Argentina itself produces many of its small weapons, military vehicles, and trainer aircraft. Brazil too supplies its neighbor with some of its equipment. Appendix B gives dollar values of arms imports for Argentina.

⁵⁶East European countries appear to have sold them negligible amounts at times. For example, Poland did supply them with 10 million dollars in military equipment over the 1979-80 period. *World Military Expenditures and Arms Transfers, 1985*, Washington, D.C.: Arms Control and Disarmament Agency, Publication 123, August 1985, p. 133.



SOURCE: Arms Control and Disarmament Agency (ACDA), *World Military Expenditures and Arms Transfers, 1968-77, 1987*. Washington, D.C.: ACDA, 1979, 1988. The category *Others* is not defined by ACDA.

Fig. 2.3—Arms transfers to Argentina

In the late 1960s, the United States refused to supply Buenos Aires with modern military equipment. Argentina responded with its "Plan Europa," an effort to shift its arms dependency away from the United States.⁵⁷ European producers became the suppliers of a larger share of Argentine imports, and Buenos Aires began investing in its own arms production capabilities. During the Carter Administration, an embargo was imposed on the sale of U.S. weapons to Argentina because of the military regime's human rights violations. After the 1982 invasion of the Malvinas/Falkland Islands, most European countries followed suit with their own embargoes. Later many of the embargoes were lifted after rumors suggested that Soviet purchases were being considered by the defeated military junta.

⁵⁷Adrian J. English, *Armed Forces of Latin America*. London: Jane's Publications, Inc., 1984, p. 64.

An Argentine military delegation did visit the Soviet Union in June 1983, with an interest in restocking its Malvinas-depleted supplies.⁵⁸ Nothing was purchased, however. Arms purchases would have helped to alleviate the Soviet-Argentine trade imbalance and the Soviets appeared anxious to increase their weapons sales in the region, although Soviet weapons would pose compatibility problems for Argentina, since many of its systems are western-produced.

It was reported that some Soviet-made SAM-7 anti-aircraft missiles had been used against Great Britain in the 1982 war. Sources in Buenos Aires argue that the missiles had not necessarily been supplied by the Soviet Union, and that Libya may have been the supplier.⁵⁹ Other sources speculate that the air defense missiles may have been captured by Israel or South Africa and resold to Argentina on the international arms market.⁶⁰ More recently, a former Argentine embassy official in Peru revealed that the Soviet Union had offered Buenos Aires 100 MiG fighters for use in the conflict, but was turned down because the military junta did not want to accept "Soviet imperialism."⁶¹

Some western accounts of the 1982 war accused the Soviets of supplying Argentina with satellite-gathered military intelligence and technology in connection with the development of nuclear weapons.⁶² Moscow categorically denied such claims, stating that "the USSR has not furnished Argentina with any military information obtained by satellite concerning the movements of the British fleet heading for the Malvinas. Nor has there been Soviet cooperation in this respect."⁶³ Concurrently, it was reported that seven Soviet reconnaissance satellites were launched over the South Atlantic around the time of the conflict.⁶⁴

The issue is still debated today, but it appears that the usefulness of any intelligence assistance provided to Argentina was limited by the protracted process of

⁵⁸"Argentina: 1983 Soviet Mission Details," *Defense and Foreign Affairs Daily*, 12 January 1984, p. 1.

⁵⁹"Magazine Says Argentina Used Soviet Missiles in Falklands," *Baltimore Sun*, 5 January 1983, p. 2.

⁶⁰"Who Gave Argentina the Soviet Strela?" *Defense and Economics World Report Survey*, No. 867, 24 January 1983, p. 5152.

⁶¹*USSR Offered 100 MiG Fighters for Falklands War*, FBIS-LADR, 11 August 1988, pp. 18-19.

⁶²See, for example, "Flinging the Door Wide Open to Soviet Hegemony," *International Currency Review*, No. 14, May 1982, p. 26.

⁶³*Moscow Denies Information Aid to Argentina*, FBIS-UIA, 30 April 1982, p. DD1.

⁶⁴Vojtech Mastny, p. 48.

obtaining it from Moscow.⁶⁵ Furthermore, the Soviet Union's abstention from the UN resolution against Argentina's invasion displays the fact that Moscow wanted to avoid a policy which condoned the use of force. They did reap tremendous political benefits in Latin America, however, by providing strong rhetorical support against Argentina's "colonial oppressors." These goodwill gestures to the junta were sufficient to earn stronger ties without directly involving the Soviets in a confrontation with NATO.

Exchanges of military delegations continued after Argentina's defeat as the Galtieri regime contemplated new arms purchases. However, no arms purchases were secured and bilateral military relations appear virtually nonexistent under the Alfonsín administration.

More Self Sufficiency in Weapons Production

Argentina has acquired impressive weapons production technology and know-how. Licensed production agreements with western suppliers have led to the production of West German-designed tanks, infantry combat vehicles, and French-designed armored personnel carriers. Argentina additionally exports some of its own military equipment, including *Pucara* ground attack planes for counterinsurgency use in the Central African Republic and Venezuela, and tanks to Panama and Peru.⁶⁶ It even hopes to sell its IA-63 *Pampa* trainer aircraft to the U.S. Air Force.

Table B.1 in App. B displays Argentina's stage of arms production, as evaluated in the *Stockholm International Peace Research Institute (SIPRI) Yearbook, 1985*. Argentina has developed not only the capacity for small arms design production, but also some major military systems such as fighter planes. However, it is still largely dependent on countries like the United States and West Germany for the major subcomponents of its products. For example, 40 percent of the content of its *Pampa* trainer is made in the United States.⁶⁷

Investment monies for large-scale production programs are scarce. For example, the state-owned *Fabricaciones Militares*, an umbrella organization that directs all military production, nearly suspended production of the 30-ton *Tanque Argentino Mediano*

⁶⁵Mastny, p. 49. However, Argentine Air Force members claimed that a network of stations in Africa, the Middle East and Europe provided Argentina with valuable satellite information during the war. See *Military Claims Satellites Used*, FBIS-LADR, 17 August 1987, p. K2.

⁶⁶SIPRI *Yearbook, 1985*.

⁶⁷*Air Force-FRG Company Sign Agreement*, FBIS-LADR, 15 November 1988, p. 33.

(TAM) tank in 1987 after it failed to win export sales.⁶⁸ And Argentina's once lucrative export market, the Middle East, has turned less promising now that a cease-fire agreement has been reached in the Iran-Iraq War. At one time during the war, Argentina sold weapons to both countries.⁶⁹

Perhaps most notable is Argentina's *Condor II* project. Allegedly with the financial backing of Iraq and Egyptian cooperation, Argentina began the development of this intermediate range missile in 1984. Although still under development, the missile is expected to use two or three stages and be able to carry a 700-lb payload over 1500 miles.⁷⁰ Reagan administration officials raised their concerns about the missile project with Argentina, but Defense Minister Juanarena repeatedly failed to make any pledge to stop development.

Argentine Vulnerability to Soviet Intelligence-Gathering

Argentina is vulnerable to Soviet intelligence penetration in several respects. Economic ties have assured that numerous Soviet delegations of technicians and diplomats have substantial access to the country. Intergovernmental and regional trade delegations meet regularly and frequently. Aeroflot flights are a notorious means of collecting intelligence material. Similarly, fishing rights allow the Soviets a front for intelligence-gathering. And infrastructure projects conducted by the USSR provide the means for technical experts to observe closely points of strategic importance both to Argentina and its neighbors. For example, the Soviets are dredging the deep water port at Bahia Blanca, which is situated near the Argentine naval base at Puerto Belgrano and home to some of the nation's naval assets.⁷¹

Economic and diplomatic ties have cleared the way for close scrutiny of Argentina and the Southern Cone region by the Soviets. This penetration also leaves the country vulnerable to Soviet assistance of revolutionary movements elsewhere in Latin America through its borders.

⁶⁸"End of the Road for the TAM Tank," *Southern Cone Report*, RS-87-03, 16 April 1987, p. 3.

⁶⁹"Argentina Resumes Fresh Military Supplies to Both Iran and Iraq," *International Defense Intelligence*, Vol. 10, No. 37, 12 September 1988, p. 1.

⁷⁰Peter Almond, "Argentine Aid Resists Plea to Stop Missile Project," *Washington Times*, 13 October 1988, p. 8.

⁷¹"Argentine Controversy Over Soviet Policy," *Defense and Foreign Affairs Weekly*, September 29 - October 5, 1986, p. 3.

CONCLUSIONS

Although bilateral trade volume declined over the 1986-87 period, Soviet-Argentine economic relations are strong and it is unlikely that they will substantially weaken. Argentina has attempted to maintain trade relations with socialist and capitalist nations alike out of concern that it keep a neutral position between the superpowers. Reduced dependency on the United States is a strong Argentine motivation for continuing economic cooperation with the USSR.

Some \$56 billion in gross external liabilities places a heavy drain on Argentina's hard currency reserves. Trade with the USSR is one source of export earnings to service this debt. Moreover, the Soviet Union grants Argentina desirable conditions of trade and relatively long-term contracts for grain and beef. Institutionalized trade ties further reduce the uncertainty of coordinating trade between Argentina and the Soviet Union, encouraging their continuance.

Argentina currently receives no arms and has virtually no military ties with the Soviet Union. Argentina's military junta contemplated Soviet weapons purchases following the 1982 Malvinas/Falklands War, but none were secured. Today, European arms producers provide Argentina with the majority of its weapons. It also relies on indigenous arms production, particularly for light weaponry. In the realm of arms trade, Argentina has taken an obvious policy of avoiding dependency on either superpower for its weapons supplies.

III. THE SOVIET PERSPECTIVE ON ARGENTINE RELATIONS

Soviet political and strategic goals behind their influence in Latin America ultimately begin with the doctrine of supporting challenges to the status quo. Of particular interest are those changes that undermine the dependency of developing nations upon their colonial or economic "rulers."

However, the Soviets have used pragmatic policies to gain influence in Argentina that avoid provoking U.S. intervention and deemphasize the importance of communist ideology. For example, relations with the Argentine military dictatorship of General Galtieri were quite strong during the 1982 Malvinas/Falklands War, despite the fact that Moscow had criticized previous military regimes. Rather than supporting the indigenous Communist Party, the USSR placed its support behind the military regime to better its influence in the Southern Cone. After the Malvinas/Falklands War, Moscow continued cultivating closer Argentine ties with the civilian Alfonsín government. According to recent literature on Soviet relations with the Third World, new Soviet foreign policy initiatives are similar to those observed in Argentina: the USSR is encouraging ties with more influential developing countries, even if they are capitalist-oriented.¹

Close ties between the countries during the 1982 Malvinas/Falklands War led to speculation that Soviet influence had become formidable. As Sec. II showed, economic relations between the two countries are sizable and diplomatic ties have generally been good. However, it is not clear that communist expansionism into Argentina is a high priority for Moscow. Indeed, evidence suggests that it is not.

We begin by reviewing the potential economic, political, and strategic interests of the Soviet Union in Argentina. How would influence in this country advance Soviet objectives? Next we look at the broader context of Soviet-Argentine relations. Is leverage within Argentina a high priority of the Soviet Union within its overall foreign policy?

¹Francis Fukuyama, "Patterns of Soviet Third World Policy," *Problems of Communism*, Vol. 26, Issue 5, September-October 1987, pp. 1-13. For a more extensive discussion of the changes in Soviet-Third World relations likely to take place under General Secretary Gorbachev, see Francis Fukuyama, *Gorbachev and the New Soviet Agenda in the Third World*, The RAND Corporation, R-3634-A, forthcoming).

SOVIET INTERESTS IN ARGENTINA

Some authors have argued that a Soviet presence in the Southern Cone would serve strategic interests of the USSR. However, relations between Argentina and the Soviet Union have largely remained economic in nature. No military ties now exist between the two countries. During and just after the Malvinas/Falklands War, a high point in Soviet-Argentine relations, Moscow was unable to win an Argentine purchase of Soviet weapons. These points reflect that although strategic interests play a role, Soviet economic and diplomatic interests in Argentina hold higher priority.

There are numerous arguments as to why the USSR might be interested in Argentina, each varying in terms of credibility. Below are eleven of these goals.

Diplomatic

- Generally expand Soviet influence with important nonaligned countries
- Promote Argentine nonalignment and weaken its ties to the developed West
- Dissuade Argentine participation in anti-Soviet cooperative agreements, particularly defense pacts

Economic

- Cultivate a reliable alternative grain source to western capitalist nations
- Gain access to mineral and oil reserves, as well as fishing rights, in the South Atlantic shelf
- Attempt to develop a market for Soviet manufactures exports in the long term

Strategic

- Assist revolutionary movements elsewhere in Latin America
- Control Cape Horn and Argentine SLOCs (sea lines of communication) in time of war
- Gain access to Antarctica for testing purposes
- Gain more convenient access to western Africa
- Divert U.S. national security resources from other areas of Soviet interest

Diplomatic Objectives

1. Generally expand Soviet influence with Argentina. The Soviet Union appears to be initiating closer ties to larger and more influential third world countries like Argentina in an effort to enhance its world leverage. It has proceeded by currying more favorable impressions about Soviet-Argentine ties among the bourgeoisie middle class.

through the encouragement of trade and countertrade and the reinforcement of Latin American anti-U.S. sentiment.² More favorable Argentine perceptions of the Soviet Union are likely to prove useful at some indefinite time in the future.

2. Promote Argentine nonalignment and weaken its ties to the developed West. Strict alignment with the developed West against communism has historically prevented the Soviet Union from influencing Latin American policies. As a result, the United States has long maintained that Latin America is within its sphere of influence. Yet as a great power, the Soviet Union has global interests--including the establishment of favorable relations with Latin American nations.

Well-established trade ties between the Soviet Union and Argentina deal an important and largely unavoidable blow to U.S. hegemony over the Southern Cone. Because of its economic interests at stake, Argentina cannot afford to pliantly stand behind all U.S. foreign policies that directly oppose Soviet interests. This is not to say that the United States is incapable of influencing Argentine behavior. Rather, the Argentine policy-making calculus incorporates the potential impact its behavior will have on relations with *both* superpowers.

One motive behind Soviet overtures to Argentina is undoubtedly to promote the country's nonalignment. Although Soviet-Argentine ties did not emerge until later, Argentina's shift toward nonalignment has its roots in the Perón administration of 1946, when Argentina sought to decrease its dependency on advanced capitalist nations. The objective of this stand was a so-called Third Position, i.e., neutrality between the superpowers. But the Soviets regarded this shift as one that would eventually translate into anti-capitalism and eventually the establishment of socialism.³

3. Dissuade Argentine participation in anti-Soviet cooperative agreements, particularly defense pacts. The 1947 Rio Treaty was designed to prevent Soviet and communist expansion into the Western Hemisphere. Other initiatives have sought to create a South Atlantic treaty organization for a similar purpose without success. Naturally, such collective defense pacts jeopardize the USSR's ability to maintain a diplomatic and military presence befitting a superpower with global interests.

The United States has declared collective Western Hemisphere security to be a tenet of its strategy for maintaining a stable southern flank. Yet the Soviet Union views U.S. attempts at organizing such a bloc as aggressive, denigrating the nature of USSR

²Ilya Prizel, "Latin America: the Long March," *The National Interest*, Vol. 12, Summer 1988, p. 111.

³Aldo Cesar Vacs, *Discreet Partners*, p. 29.

foreign policies by encouraging the hatred of communism.⁴ Anti-U.S. rhetoric in Latin America has been one result of this conflict. As was the case during the Malvinas/Falklands War, the Soviet Union has frequently portrayed the United States as an economic imperialist and supporter of repressive colonialism. Alternatively, the USSR has offered trade relations that assist Argentina in its economic plight.

The USSR took a calculated and cautious pro-Argentine stand during the 1982 war, and portrayed the situation as "one between a third world nation striving to recover a piece of its national territory and an ex-colonial power clinging to a remnant of its empire."⁵ However, it abstained in the United Nations Security Council vote that demanded the Argentine withdrawal of troops from the islands. Cautious support undermined the stability of Western Hemisphere defense alliances by providing the Soviet bloc as an alternative sympathizer to the sovereignty claim of Argentina. Concurrently, support for Great Britain's claim to the islands made the United States seem a dubious ally of Argentina and Latin America in the Inter-American system.

Soviet rhetoric, diplomacy, and economic behavior in its policies toward Argentina have been effective. Due to the slow cultivation of bilateral ties and the good fortune of tarnished U.S.-Argentine relations during the Malvinas War, the USSR has exploited the criticism that the United States is not a reliable ally of Latin America. Furthermore, strong Argentine-Soviet economic and diplomatic ties lower the likelihood of Western Hemisphere collective security agreements aimed against the Soviet Union.

Economic Objectives

1. Cultivate a reliable alternative grain source to western capitalist nations.

The Soviet Union has cultivated Argentina as an alternative to Canada, western European countries, Australia, and the United States for supplies of grain and beef. In response to the Soviet invasion of Afghanistan, President Carter imposed a grain embargo of the USSR and won the cooperation of all its other major suppliers, save Argentina. Naturally, this called to question the reliability of U.S.-allied nations as suppliers of agricultural exports to the Soviet Union. In contrast, Argentina's apparent reliability was enhanced by the event. Although the United States resumed grain sales to the USSR in

⁴"Pentagon's Southern Anchor," *Current Digest of the Soviet Press*, Vol. 33, No. 20, 17 June 1981, p. 18.

⁵Vojtech Mastny, "The Soviet Union and the Falklands War," *Naval War College Review*, May/June 1983, p. 47.

1986, continued purchases of Argentine grain are a logical way to reduce dependency on the United States and its allies.

2. Gain access to mineral and oil reserves, as well as fishing rights in the South Atlantic shelf. The South Atlantic shelf off the Argentine coast reportedly holds mineral and oil reserves of interest to the Soviet Union. When questioned about the region, the director of the Latin America Institute of the USSR Academy of Science, Viktor Volskiy, responded:

Because of its shallowness and the fact that it is not covered by continental sediment, Argentina's continental shelf allows scientific research and prospecting for mineral resources such as gas, oil, ferromagnesium minerals, etc. ... We can render scientific cooperation and help Argentina control its natural resources.⁶

Influence over these reserves is an objective of Soviet policy toward Argentina. Access to the abundant supplies of fish in the South Atlantic is another economic goal of improved ties.

3. Develop a market for Soviet manufactured exports in the long term. Although less successful at achieving this objective in Argentina, the Soviet Union undoubtedly hopes to develop a long-term market for its exports to advance its own economic growth. At present the Soviet Union has supplied Argentina with technology and equipment for large-scale engineering projects such as hydro and thermal electric stations at Salto Grande (1.9 million kilowatts), Costañera (310,000 kW), and Bahia Blanca (620,000 kW). The USSR also promotes other heavy manufactured goods such as trucks, tractors, electric trains, and trolleycars.

As is the case with the Soviet Union's exports to other countries, complaints have arisen about the quality of Soviet equipment and machinery. Similarly, it is argued that Argentina is able to get better quality equipment at competitive prices from countries such as West Germany. However, the promotion of trade in machinery and equipment for wheat and other agricultural commodities continues to be an ostensible goal of the Soviet Union.

⁶From an interview with Viktor Volskiy, director of the Latin America Institute of the USSR Academy of Science, by *La Razon* journalist Martin Granovsky in FBIS USSR Daily Report, Vol. 3, No. 228, 26 November 1986, p. K1.

Strategic Objectives

1. Assist revolutionary movements elsewhere in Latin America. Some analysts have argued that by gaining a foothold in Argentina, the Soviet Union will be well positioned to assist other "liberation" movements in the hemisphere. For example, Argentina shares a lengthy common border with Chile (see Fig. 3.1). Access to this border would be beneficial in assisting the Chilean Communist Party in its efforts to topple the military dictatorship of General Augusto Pinochet or his successor.

It is unclear just how much assistance is provided to Chilean exile groups through Argentina.⁷ Reports suggest that the Alfonsín government was angered by Soviet and Cuban military support for the Chilean Communist Party and their violent faction, the Manuel Rodriguez Patriotic Front.⁸ Some domestic forces in Argentina are opposed to such assistance, suggesting that Argentina's nonalignment is not the same as a tacit alignment with the Soviet Union. However, stronger economic and diplomatic relations with Argentina have led to the permeation of Soviet diplomats, advisors, and technicians in that country. Consequently, Argentina may be left vulnerable as an unwitting conduit for Soviet assistance to communist movements in South America.

2. Control over the strategically important Cape Horn and associated sea lines of communication in time of war. With the decline of U.S. influence over the administration of the Panama Canal, Cape Horn is increasingly recognized as a strategically important alternative for controlling passage between the Atlantic and Pacific Oceans. The Panama Canal is too narrow for passage of tankers and carriers, and heavy commercial maritime traffic has made the canal congested in recent years. The Straits of Magellan, however, do not freeze and are navigable.

⁷It has been reported, for example, that the Argentine Communist Party recruited "internationalist guerrillas" in Argentina's Tucuman province to fight against the Chilean government. Their efforts have had only minor success. However, a Chilean military prosecutor, Fernando Torres Silva, has alleged that several recruiting centers for Chilean extremists are within Argentina. See "War on Pinochet," *Insight*, Vol. 2, No. 46, 17 November 1986, p. 38. Also *Subversives Allegedly Trained in Argentina*, FBIS-LADR, 29 July 1988, p. 32.

⁸Timothy O'Leary, "Gorbachev Plans Historic Spring Visit to Latin America," *Washington Times*, 26 November 1986, p. 7-C.

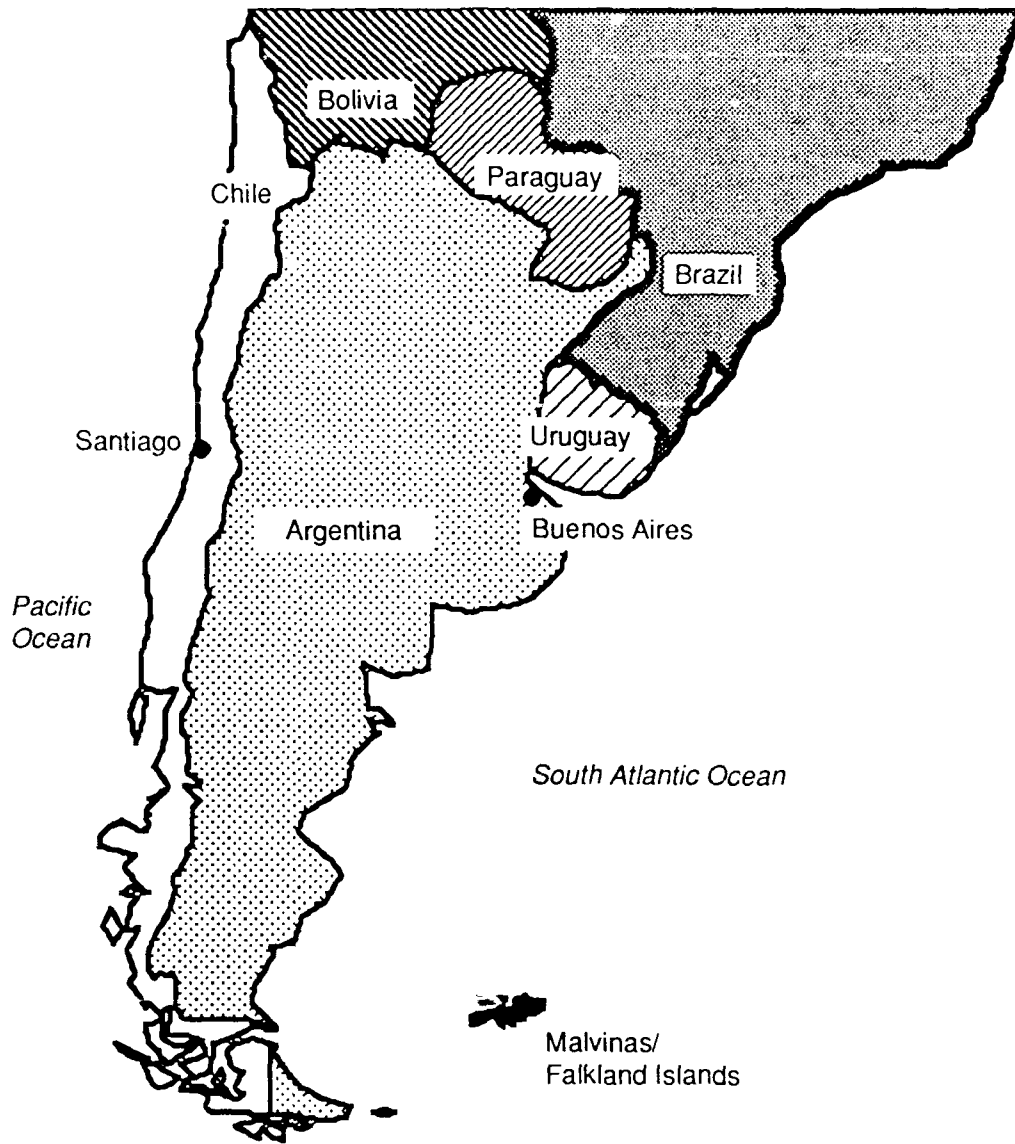


Fig. 3.1—Argentina

It has been suggested that a Soviet presence in the South Atlantic would be an important component for a naval stranglehold on Europe.⁹ When combined with Cuban-

⁹Robert Leiken, "Eastern Winds in Latin America," *Foreign Policy*, Vol. 42, Spring 1981, p. 95.

based interdiction maneuvers in the North Atlantic shipping lanes, obstruction of South Atlantic traffic could conceivably cut off U.S.-European traffic. With the Atlantic alliance's formal sphere of operation ending at the Tropic of Cancer, control in the region is of importance and has led one former chairman of the Inter-American Defense Board to refer to Argentina as Inter-America's "Southern Anchor."¹⁰

In time of war between the superpowers, it might well prove true that a Soviet base in the Southern Cone would be strategically beneficial. However, Soviet naval control in the South Atlantic presumes little opposition within Argentina to such a substantial level of Soviet power. Many sectors of Argentine society remain skeptical of Soviet intentions in the Southern Cone during peacetime, and alignment with either the United States or the USSR has always been a sensitive issue within modern Argentine politics. It seems quite dubious that the Soviet Union could cultivate sufficient influence to directly control SLOCs in the South Atlantic or maintain a military presence in Argentina in time of war.

3. Access to Antarctica for testing military and civilian equipment. At least one analyst has pointed to the strategic importance of the Antarctic as a significant motive for Soviet ties with Argentina.¹¹ Military intelligence-gathering and scientific projects in the Arctic region are looked upon as an example of potential uses of the South Pole by the USSR. Indeed, some analysts argue that Soviet experiments are already under way.¹² Current international law forbids nonscientific uses of Antarctica, but the Antarctic Treaty is difficult to enforce and holds no specified penalties for failure to comply.¹³

Interestingly, the Soviet delegate to the 1981 Eleventh Consultative Meeting on the Antarctic Treaty opposed any nation's sovereignty claims to the continent, including those of Argentina.¹⁴ While this gesture may not accurately represent Soviet intentions for Antarctica, it does suggest that Argentine relations were not viewed as a direct route to an Antarctic stronghold. The Antarctic Treaty is scheduled for reevaluation in 1991.

4. Gain more convenient access to western Africa. Although a less forceful argument now that an agreement has been reached to pull Cuban forces from Angola, it has been alleged that Argentina's proximity to the West African coast makes it a prime

¹⁰"Pentagon's Southern Anchor," *Current Digest of the Soviet Press*, Vol. 33, No. 20, 17 June 1981, p. 18.

¹¹Alphonse Max, "Southern Targets," *United States Naval Institute Proceedings*, Vol. 111, No. 3, 1985, p. 115.

¹²*Ibid.*, p. 116. Also see *Experts Speak on Soviet Sub Presence in Antarctica*, FBIS-LADR, 21 August 1987, p. N4.

¹³*Ibid.*

¹⁴Aldo Cesar Vacs, *Discreet Partners: Argentina and the USSR Since 1917*, Pittsburgh: University of Pittsburgh Press, 1984, p. 81.

location for a Soviet base.¹⁵ Placing Soviet naval bases across the South Atlantic from the West African coast would allow the USSR and Cuba more readily to assist left-leaning governments and "liberation" movements with less vulnerability than bases established in relatively unstable Southern African nations.¹⁶

This motive for Soviet cultivation of relations with Argentina is again rather dubious. It presumes that Soviet economic and diplomatic overtures can easily translate into sufficient leverage to establish military bases in Argentina. It also implies little to no opposition against a Soviet military presence in the South Atlantic by Argentina, other Latin American nations, or the United States.

5. Divert U.S. national security resources from other areas of Soviet interest.

A further role of Soviet ties in the region is the diversion of resources away from other theaters of common Soviet/U.S. interest. On a more conspiratorial note, one analyst has argued that Soviet deception goes so far as to entangle the United States in a Central American conflict when its true interests lie in the establishment of influence in the southern part of the continent.¹⁷ This conspiracy theory may seem sensational, but it points out the fact that U.S. involvement in Western Hemisphere conflicts does divert our resources away from other sectors of strategic interest.

"Spreading thin" resources by entering many regional conflicts has been a concern in U.S. foreign policy, particularly in the post-Vietnam era. Preventing the expansion of communism became a full-time occupation under the Reagan doctrine, and the addition of military involvement in the Southern Cone region would have strong implications about our ability to react in other areas.

The "spreading thin" argument applies equally to the Soviet Union, however. Horizontal escalation of Soviet-American confrontations in peripheral conflicts can be equally risky for Moscow in terms of being able to sustain support to each region. As a consequence, this motive appears far-fetched. It is unlikely that the USSR would take a calculated measure toward provoking U.S. intervention in Argentina for the sake of diverting U.S. resources.

THE CONTEXT OF SOVIET-ARGENTINE RELATIONS

Analysts of Soviet behavior have observed a shift to the "right" in USSR foreign policy under the leadership of Secretary General Mikhail Gorbachev. Newer foreign

¹⁵Alphonse Max, p. 116.

¹⁶Max, p. 116.

¹⁷Ibid., p. 115.

policy initiatives have developed relations with capitalist-oriented developing nations of geostrategic importance rather than merely supporting Marxist-Leninist states and movements. This shift to the right is but one of ten vacillations evident in Soviet history: shifts between more left-wing support for vanguard communist parties abroad and the recognition that alliances with "sympathetic noncommunist groups" might better expand Soviet influence.¹⁸

This is not to say that communist movements will not receive Soviet support. Within Latin America, the Soviet approach to its foreign affairs has been two-pronged: supporting revolutionary movements within Central America while at the same time cultivating better economic and political relations with influential capitalist-oriented nations such as Mexico, Brazil, and Argentina.¹⁹

Within Central America, military and financial assistance to the Nicaragua regime and Salvadoran rebels came from the USSR once the Sandinistas demonstrated that their success was obtainable. However, under Gorbachev the domestic economy of the Soviet Union has taken on more importance than before. The focus of Soviet foreign policy activism in the 1970s was in nations such as Afghanistan, Ethiopia, Angola, and Mozambique. Today those governments face indigenous national liberation movements and frequently require Soviet assistance. Party documents and addresses by General Secretary Gorbachev suggest that Soviet assistance will be more limited than in previous years and that a greater degree of self-reliance should be used for their economic development.²⁰ This suggests in turn that cultivating relations with viable political movements in more economically independent nations might be a better approach for the USSR.

The USSR has been able to curry relations with the more developed states in Latin America primarily by promoting anti-U.S. sentiment. Anti-imperialist sentiment in Latin America is viewed as a force that "helps to limit the influence of imperialism and to create the international conditions favorable to the struggle of progressive and democratic forces."²¹ At the same time, the USSR has sought to reassure the Latin American

¹⁸Francis Fukuyama, "Patterns of Soviet Third World Policy," *Problems of Communism*, Vol. 26, Issue 5, September-October 1987, p. 1.

¹⁹Prizel, pp. 109-110.

²⁰Francis Fukuyama, "Gorbachev and the Third World," *Foreign Affairs*, Vol. 64, No. 4, Spring 1986, p. 715.

²¹Karen Brutents, *The Liberated Countries at the Beginning of the Eighties*, FBIS USSR Annex, 12 March 1984, p. 1.

bourgeoisie that it will not intrude on existing ties between their countries and the United States.²²

Anti-imperialist sentiment and the participation of third world countries in the Nonaligned Movement may have previously assured the USSR of a pro-Soviet stand in world affairs, but its support is less assured today. As the number of nations joining the ranks of the nonaligned grows, so does their lack of unity. Wings of left-oriented or anti-imperialist, moderate, and conservatives have evolved.²³ With a diversified membership, the Nonaligned Movement has generally shifted toward a position of equidistance between the superpowers, caught between anti-imperialist principles and their economic dependency on the West.²⁴

Soviet author Karen Brutents of the Central Committee's International Department has written that while relations with capitalist states do not necessarily "consolidate the positions of imperialism," they do hamper Soviet interests. In his words:

... the formulation of capitalism in several liberated countries and, even more, the achievement by these countries of a medium level of development in a certain sense makes the position of revolutionary movement there more difficult, sometimes inhibits prospects for a transition to the path of social progress, intensifies bourgeois tendencies and the bourgeois 'atmosphere', and finally stimulates tendencies toward "equidistance."²⁵

Brutents' article is noteworthy because he concedes that the new status of nonaligned nations limits the effective leverage of *both* superpowers. He goes on to argue that by imposing "intercapitalist contradictions" on countries that hold strong nationalistic and anti-colonial sentiment, a multipolar scenario is created that necessarily limits the effectiveness of U.S. policy.²⁶

Soviet relations with Argentina have been pragmatic and largely commercial since their inception. Faced with the opportunity to develop political-military ties during and just after the Malvinas/Falklands War, the USSR did not secure the Argentine purchase of Soviet-made weapons. While it is unclear whether the Soviets were deterred by the threat of a NATO conflict, they did not aggressively pursue what could have been a major opportunity for influence in the South Atlantic.

²²Prizel, p. 112.

²³Elizabeth Kridl Valkenier, "Revolutionary Change in the Third World: Recent Soviet Assessments," *World Politics*, Vol. 38, No. 3, April 1986, p. 430.

²⁴*Ibid.*, p. 431.

²⁵Brutents, p. 9.

²⁶*Ibid.*

Soviet caution displayed in this region has a variety of causes. Commercial ties are tolerable and even welcomed according to most world opinion, but military links with the Soviets would provoke sharp U.S. reaction. U.S. involvement in the revolutionary conflicts of Nicaragua and El Salvador is testimony to the intensity of concern about communist influence in the Western Hemisphere. But Argentina is fundamentally different in its structure from those less-developed nations that have become "liberated" under Soviet or Cuban tutelage. It is deeply rooted in a capitalist and nationalist orientation, relatively wealthy and developed, and with a highly educated populace.

In terms of Soviet missions worldwide, the Southern Cone has less intrinsic urgency than other scenarios. Nations contiguous to the USSR are naturally the most important among regions of interest. Argentina is but one nation with which it has cultivated ties. Nonetheless, it is an example of the growing emphasis the Soviet Union has placed on improving its ties to influential third world countries.

CONCLUSIONS

The most likely Soviet motives for obtaining leverage in Argentina require slow, deliberate cultivation rather than risky, provocative measures. Many Latin Americans hold a strong vestige of anti-communism, well-imbedded in their cultures. Latin America's aversion to colonialism also suggests that an automatic alignment with the Soviet Union and deference to its policies is unlikely. This is particularly true within Argentina, a relatively powerful South American nation that has repeatedly emphasized its self-reliance and Third Position since the first Perón administration of 1946.

Establishing basing rights in the South Atlantic or securing SLOC control around Cape Horn are highly desirable outcomes for the Soviet Union. However, the amount of leverage over Argentine policies required to achieve these outcomes is enormous and probably unachievable by the USSR. As one Soviet writer has suggested, the nonalignment of third world nations increasingly results in equidistance between superpowers rather than Soviet alignment. This is particularly true in Argentina, a country that is attempting to develop its own power both within South America and among nonaligned nations.

It appears that Soviet motives for better relations with Argentina are primarily economic and political in nature rather than strategic. Argentina has proved to be a reliable alternative source of grain to the USSR, a potentially rich source of oil and minerals, and a successful area for commercial fishing. Closer ties with Argentina are also evidence of a general trend in Soviet foreign affairs toward establishing relations

with influential developing countries. A generally more favorable impression of the Soviet Union may help the viability of its own export economy and prove useful at some indefinite time in the future.

IV. THE VIEWPOINT OF THE UNITED STATES

With a few exceptions the United States has paid relatively little attention to Latin America in its foreign policy. Yet in recent years events such as the debt crisis, the Malvinas/Falklands War, and rise of Soviet and Cuban involvement in Central American conflicts have attracted more attention from U.S. defense planners. Soviet-Argentine relations do not attract the same immediacy of concern as events in Nicaragua or El Salvador. However, Soviet leverage in Argentina, like that in other Latin American nations, could jeopardize U.S. interests in the region.

This section begins with an overview of U.S. goals in Argentina and the Southern Cone. We then turn to ways in which the United States holds economic leverage counter to that of the Soviet Union in Argentina.

U.S. POLITICAL, ECONOMIC, AND STRATEGIC GOALS IN ARGENTINA

General John R. Galvin, former SOUTHCOM Commander in Chief, characterized overall U.S. strategic interests in Latin America as "providing a stable southern flank for the United States."¹ As in the case of the Soviet perspective, however, it can be argued that economic and political motives surpass strategic goals in terms of relative importance. Some of the most important of these objectives are:

Political

- Maintain U.S. influence over regional policies
- Preserve and promote democracy
- Promote the protection of human rights

Economic

- Help to stabilize the Argentine economy
- Organize practical steps toward the reduction of its debt burden
- Assure an open market in trade and investment in Argentina

Strategic

- Allow no more "Cubas" in Latin America
- Encourage Argentina to share the burden of regional security
- Maintain open SLOCs and access to Cape Horn if needed in time of war

¹"Challenge and Response: On the Southern Flank Three Decades Later," *Military Review*, August 1986.

Political Objectives

1. Maintain U.S. influence over Argentine policies. Keeping a hand in what has long been considered the U.S. sphere of influence is often interpreted as the goal of minimizing Soviet influence in the Western Hemisphere. Yet the two concepts need to be disentangled. Maintaining U.S. influence in Latin America incorporates both the idea of challenging Soviet expansionism in the region and developing policies that facilitate cooperation in other sectors of common interest.

The United States has a significant interest in managing its relations with the Soviet Union, both to thwart the use of military force and to reduce the threat of a nuclear conflict.² As is the case elsewhere in Latin America, Argentina is a peripheral region in which the management of U.S.-Soviet relations is tested. Counterleverage to Soviet influence in the South Atlantic is thereby an important objective.

However, Argentina itself merits U.S. attention. It is a nation of importance in South America, both because of its size and its relative level of economic development. It has emerged as a leading nation within the Nonaligned Movement. As one of the world's largest debtor countries, its economic policies have direct impact on the U.S. banking industry. Argentina's maturing arms industry could hamper U.S. efforts at controlling ballistic missile proliferation. It also has a relatively advanced nuclear energy program and may have the technology to make its own weapons-grade nuclear material.³ To maintain some influence over who receives weapons and technology, healthy relations between the United States and Argentina should be an objective.⁴

Argentina holds a strong commitment to its nonaligned posture between the superpowers. It is realistic to expect that U.S. interests in maintaining a stable democratic hemisphere will be respected in Argentine foreign policy. It is less realistic, however, to expect Argentina to forgo economic relations with the communist world that are overwhelmingly to its benefit. Argentine Foreign Minister Dante Caputo recently discussed this general problem associated with U.S.-Argentine relations:

The United States is two things at the same time. On the one hand, it is responsible for the West; and on the other hand, it has its own national interests. These two characteristics determine the ideas we share and the ideas over which we disagree. The first characteristic pertains to the

²Luers, p. 29.

³Judith Miller, "U.S. Says Argentina Can Make A Bomb Soon," *New York Times*, 2 May 1982.

⁴Haggerty, p. 18.

defense of the free world, and of a pluralist society. This is not an ideological, but a historical view. No one can argue today over whether or not Argentina is a Western country, because it is a free society that values individual effort and private property. The United States is the country that best represents and defends these values. But, on the other hand, it is also a country that has its own national interests...Does this have something to do with the defense of the free world? No, this has nothing to do with the defense of the fundamental values of the free world.⁵

2. Preserve and promote democracy. A second objective often discussed by U.S. defense planners is the need to preserve or promote democracy in the Western Hemisphere. This stems partly from the desire to prevent the growth of hostile military capabilities in the region, particularly those of Marxist-Leninist movements. However, this objective also includes encouraging the democratization of military regimes.

In the case of Argentina, military dictatorships have neither guaranteed U.S. influence nor prevented the cultivation of leverage by the Soviet Union. Economic and diplomatic relations between Moscow and Buenos Aires improved greatly during the military junta's rule in the late 1970s to early 1980s.

A direct Soviet threat to Argentine democracy is unrealistic. The PCA has little political clout and has not been a significant factor in the development of Soviet-Argentine relations.⁶ Instead, economic and political interests appear to be the predominant attraction between the nations. As a result, interest groups have sprung up that favor the continuance of economic ties with the USSR. However, there continues to be much suspicion of the PCA and the USSR, stemming from fear that a leftward trend in Argentine politics might result in the expropriation of land and strict control over industry.⁷

Recent events suggest that ultra leftist organizations may be on the rise again in Argentina. However, a formidable threat to democracy continues to be found within Argentina's own military. The Holy Week, Monte Caseros, and recent Seineldín-led uprisings are strong reminders that military accountability to civilian control is at best precarious. Concurrently, the Argentine public's tolerance of authoritarian regimes has been severely tried.

⁵Text of an interview with Dante Caputo by Renee Sallas, FBIS-LADR, 10 April 1987, p. B6.

⁶Aldo Cesar Vacs, *Discreet Partners*, Pittsburgh: University of Pittsburgh Press, 1984, p. 121.

⁷Ibid., p. 123. See also an editorial by Daniel Lupa, "Behind Scientific Appearances," *Buenos Aires La Prensa*, FBIS-LADR, 22 October 1987, pp. 16-17.

3. Promote the protection of human rights. The United States has a humanitarian interest in improving the quality of life of Latin Americans, both in terms of economic well-being and protection of human rights.⁸ In its relationship with Latin American neighbors, the United States has historically made wide vacillations in the amount of emphasis it places on human rights. For example, many of the anti-communist military regimes of the post-World War II era were guilty of human rights abuses, yet were supported by the United States. In the late 1970s, however, President Carter made U.S. assistance contingent upon the protection of human rights within Latin American countries.

Because it experienced such a traumatic period during the so-called Dirty War insurgency campaign, human rights protection continues to be of concern to the Argentine public. The American public too has shown political muscle in limiting U.S. support for movements that are accused of human rights violations. As a result, one limitation on U.S. policy towards Argentina is the degree to which it seemingly supports or hinders the protection of human rights.

Economic Objectives

1. Help to stabilize the Argentine economy. As discussed in Sec. II, Argentina is in the midst of yet another economic crisis. Inflation has been running near 400 percent, labor unions frequently hold strikes to try to maintain their purchasing power, the country continues to run a sizable fiscal deficit, and hard currency reserves have dwindled. Such an economic catastrophe inevitably leads to public disillusionment with its political leadership. And in many Latin American countries, it is situations such as these that lead segments of the military to believe that perhaps they can do a better job of governing.

Because political instability often coincides with economic instability, it is in the interest of the United States to suggest economic policies that will alleviate the situation. But because of accusations of economic imperialism, implementing U.S.-designed stabilization measures is a difficult process. Nonetheless, the United States has played a central role, along with its efforts through the World Bank and the IMF, to convince Argentina to cut its fiscal deficit, reduce the rate of growth of its money supply, and enact privatization measures of publicly-owned companies. Thus far, Argentine officials have not successfully implemented these measures.

⁸See *Low Intensity Conflict*, p. 101. Also Luers, pp. 26-27.

2. Organize practical steps toward the reduction of its debt burden. U.S.

banks hold a large portion of Argentina's \$56 billion in outstanding debt. Debt repudiation or Argentina's inability to make its interest payments would put U.S. banks in worse straits vis-à-vis their Argentine debt holdings. Writing off a sizable portion of debt holdings in banks that hold large portfolios of Latin American loans would make the U.S. banking industry appear unstable and unprofitable. Some U.S. banks have written down the value of their debt holdings after observing the poor performance of the Argentine economy and occasional payment moratoriums. However, it is widely held that some combination of extended maturities, interest rate reductions, and limited new loans are a better means of resolving the crisis.

Some analysts within the financial community argue that Argentina has successfully exploited the concerns of the United States over its democratic stability to win new debt financing.⁹ For example, it is argued that Argentina is using U.S. influence to get financing both from the IMF and World Bank, despite the fact that the Argentine government's economic performance has not merited such treatment. Argentine officials may indeed be exploiting their political situation somewhat. But the United States is in a particularly difficult situation with regard to Argentine debt: the U.S. needed to promote restructuring of economic policies, but not at the expense of undermining the political position of moderate or conservative parties in the recent election.

3. Assure an open market in trade and investment in Argentina. A stable democratic government in Argentina advances U.S. goals insofar as it protects our economic interests. Although the volume of its purchases is not as large as those by Mexico, Brazil and Venezuela, Argentina is a sizable market for U.S. exports. U.S.-owned multinational corporations comprise some of the largest companies in Argentina, and produce such goods and services as food products, tobacco, information processing, automobiles, textiles, and photographic equipment.¹⁰

Among many Latin American countries, sizable economic interests in their countries are the very reason the United States is considered to be an "economic imperialist." Nonetheless, U.S. economic interests in Argentina are substantial and

⁹"Argentina and the World Bank," *The Latin American Times*, Vol. 9, No. 1, October 1988, pp. 1-7.

¹⁰See James W. Wilkie (ed.), "Argentine Corporate Business Activity," *Statistical Abstract of Latin America*, Vol. 24, Los Angeles: UCLA Latin American Center Publications, 1986, pp. 677-678.

constitute a strong reason for continued support of stability and economic reform in that country.

Strategic Objectives

1. No more "Cubas." The Reagan administration espoused the policy goal that no more "Cubas" be permitted to operate in the hemisphere. An increase in the number of military allies and an increase in the Soviet presence would certainly jeopardize U.S. strategic interests in the Caribbean region. If the United States were engaged in a NATO-Warsaw Pact Central Front confrontation, 60 percent of U.S. logistical resupplies would transit through the Caribbean Basin.¹¹

However, a Soviet presence in Argentina is a less compelling strategic threat to the United States than its presence would be in the Caribbean Basin. The Gulf of Mexico's proximity to the United States and its inclusion of both Atlantic-Pacific and north-south sea lanes makes the Caribbean region of higher priority.

Perhaps of more importance are the psychological implications and erosion of prestige that another pro-Soviet military presence would cause. If Argentina were to grant the USSR a military base in the South Atlantic, U.S. prestige in the Western Hemisphere would be dealt a heavy blow. Such a move might suggest that the correlation of forces in the hemisphere had shifted from U.S. favor. It might also encourage Soviet-Cuban expansionism in the region.¹² However, it is unlikely that Moscow will see a Marxist-Leninist regime in Buenos Aires anytime in the future.

2. Share the burden of regional security. Historically, the United States has expended few resources on the security of its southern flank, partly because of Western Hemisphere collective security agreements, including the 1947 Rio Inter-American Treaty for Reciprocal Assistance. A declared goal of U.S. policy in Latin America continues to be "collective cooperation in the defense of the Western Hemisphere under the Organization of American States and the Rio Treaty."¹³

Yet many Latin American analysts suggest that the pan-American security system has disintegrated, due to the divergence of goals among its participants and the U.S.'s

¹¹Gabriel Marcelia, "Security, Democracy, and Development: the United States and Latin America in the Next Decade," *Air University Review*, Vol. 37, No. 5, July/August 1986, p. 4.

¹²William Luers, "The Soviets and Latin America: a Three Decades U.S. Policy Tangle," *The Washington Quarterly*, Winter 1984, p. 29.

¹³Gen. John R. Galvin, "Challenge and Response: On the Southern Flank Three Decades Later," *Military Review*, August 1986.

sense of ambiguity about its commitment to a coalition defense.¹⁴ Until the early 1980s, the Latin American scenario remained a relatively low priority for U.S. defense planners because its problems did not pose a direct threat to the United States.¹⁵ Now, when U.S. interests are more heavily linked with events in Latin America, the United States faces a weakened inter-American defense system.

In the case of the Falklands War, the inter-American system proved unable to peacefully resolve Argentina's sovereignty conflict with Great Britain. Because of this, Argentines believe they have particular reason to be leery of collective security agreements with the United States. The events of 1982 eroded U.S. credibility as a loyal ally within the inter-American system.

Attempts to form a South Atlantic Treaty Organization (SATO) have been unsuccessful, both because of the refusal of several nations to admit South Africa as a partner and because Soviet penetration in the region is not seen as a serious security threat.¹⁶ Furthermore, Argentina's participation in an alliance with an anti-Soviet focus might jeopardize its economic ties with the USSR, an outcome it can ill afford.

3. Maintain open SLOCs and access to Cape Horn if needed in time of war.

A Soviet military presence in the South Atlantic could lead to control of shipping lanes, through which petroleum shipments bound for the United States and Western Europe traverse.¹⁷ The ability of pro-Soviet forces to obstruct South Atlantic SLOCs would also divert U.S. resources from other regions of conflict. Once again, however, it seems dubious that the Soviet Union could readily establish such a degree of control in the South Atlantic without significant confrontation from the United States and Argentina.

U.S.-ARGENTINE ECONOMIC RELATIONS: COUNTERLEVERAGE

Leverage is a difficult concept to define, even trickier to identify. Its existence is rarely unidirectional. This Note has presented evidence suggesting that the magnitude of Soviet-Argentine economic ties is sizable, potentially resulting in Soviet leverage. Diplomatic and military relations are less strong, but economic leverage could spill over

¹⁴For example, see Marcella; also, Augusto Varas, "Democratization, Peace, and Security in Latin America," *Alternatives*, Vol. 10, No. 4, 1985, pp. 607-623.

¹⁵Luers, p. 27.

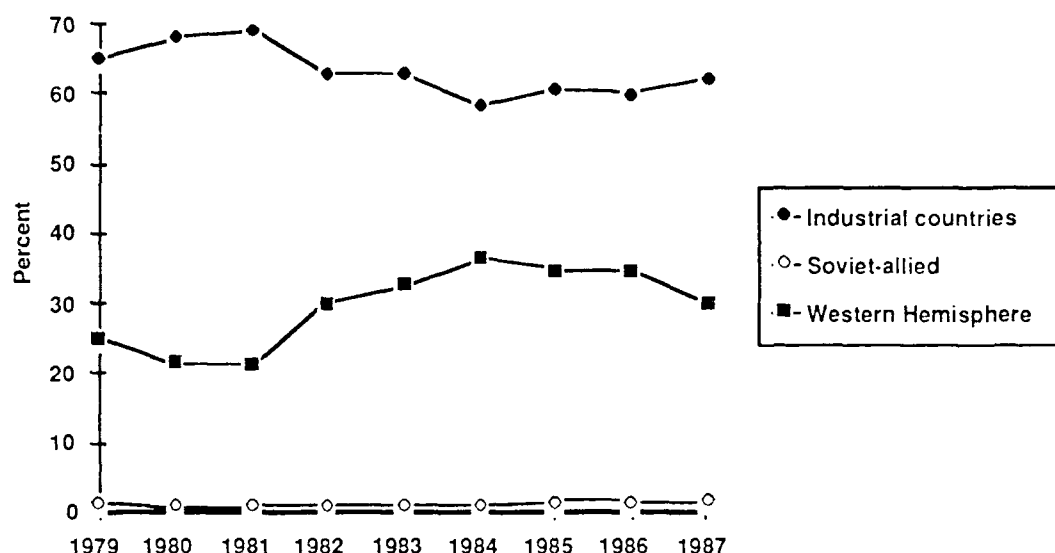
¹⁶Alphonse Max, "Southern Targets," *U.S. Naval Institute Proceedings*, Vol. 111, No. 3, 1985, p. 114.

¹⁷Maj. Brian C. Haggerty, "U.S. Policy in Latin America: Assessing the Balance Sheet," *Air University Review*, Vol. 37, No. 5, July/August 1986, p. 18.

into these realms as well. Yet U.S.-Argentine economic relations directly temper Soviet influence in the Southern Cone. This subsection evaluates U.S.-Argentine economic ties.

Economic Relations

In recent years, the United States has consistently provided Argentina with the largest dollar value of its imports. Western industrial and Latin American countries supply the majority of Argentina's imports, particularly Brazil, West Germany, Bolivia and Japan. Figure 4.1 shows the relative amount of imports by source regions. The percentage supplied by the industrialized West continues to substantially surpass the amount of imports supplied by the USSR and its allies. Clearly Argentina prefers western imports to those of the Soviet Union.



Industrial countries include the United States, Canada, Australia, Japan, New Zealand, Austria, Belgium, Denmark, Finland, France, FRG, Iceland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, and the UK.

Soviet-allied countries include Albania, Bulgaria, Cuba, Czechoslovakia, GDR, Mongolia, North Korea, Poland, and the USSR.

Western Hemisphere excludes the United States and Canada.

SOURCE: International Monetary Fund, *Direction of Trade Statistics Yearbook, 1988*, Washington, D.C.: IMF Publications, 1988, pp. 82-84.

Fig. 4.1--Distribution of Argentine imports

In Sec. II we saw that the Soviet Union has repeatedly held a substantial trade balance deficit with Argentina. The trade balance between Argentina and the United States is less lopsided. Table 4.1 shows that until 1983-84, the value of Argentina's merchandise imports from the United States exceeded the value of Argentine exports to the United States. Following the 1982 debt crisis, however, Argentina reduced its imports from the United States and redistributed its export earnings toward debt service. Merchandise trade volume between the United States and Argentina is of much larger magnitude than that between Argentina and the USSR.

Table 4.1

U.S.-ARGENTINE MERCHANDISE TRADE BALANCE, 1981-87
(millions of current U.S. dollars)

	1981	1982	1983	1984	1985	1986	1987
ARGENTINE DATA							
Exports to U.S.	863.5	1022.1	773.2	876.9	1,027.9	705.6	958.4
Imports from U.S.	2,093.7	1,177.1	986.6	847.4	694.4	833.2	966.7
Argentine trade balance	-1,230.2	-155.0	-213.4	29.5	333.5	-127.6	-8.3
U.S. DATA							
Imports from Argentina	1,214.0	1,222.0	939.0	1,042.0	1,167.0	939.0	1,176.0
Exports to Argentina	2,192.0	1,294.0	965.0	900.0	721.0	943.0	1,090.0
Argentine trade balance	-978.0	-72.0	-26.0	142.0	446.0	-4.0	86.0

SOURCE: *Direction of Trade Statistics Yearbook*, pp. 82, 407.

Argentina has held a strong anti-export bias, preferring to consume its production domestically rather than promote exports. However, export earnings are drastically needed to assure continued interest payments on its external debt and to hold a higher level of reserves. Total Argentine exports have declined from a high of \$9.1 billion in

1981 to \$6.4 billion in 1987.¹⁸ The decline in export volume has been attributed largely to the fall in world prices of Argentine exports, most notably grain.

CONCLUSIONS

Although the Southern Cone of Latin America does not have the same immediacy of concern to the United States as do events in Central America, the cultivation of U.S. relations with South American nations such as Argentina is important to continued influence in the hemisphere. Relatively strong trade ties between Argentina and the Soviet Union underscore the point that U.S. influence in the region is not insuperable. In the words of former Assistant Secretary of State for Inter-American Affairs, William D. Rogers:

we must be acutely aware of the limits of our own influence and of the fact that our most admirable and selfless intentions can backfire. Our leverage is less than most people think; the results of our direct efforts, often perverse... We live in a new age, and one in which our preferences, though important, lack the decisive sweep and the impact of earlier times.¹⁹

Currently U.S. goals for the Southern Cone region include promoting the consolidation of democracy in Argentina, protecting U.S. economic interests, promoting respect for human rights, revitalizing pan-American collective security agreements, and generally cultivating U.S. leverage in regional policies. Pursuing these goals is a formidable task in a popular climate that often holds strong anti-U.S. sentiment. U.S. policies require some subtlety so as not to fuel this sentiment or facilitate Soviet influence in Argentina.

Unfortunately, economic ties between the United States and Argentina appear much more unfavorable to the Argentine public than do those between the Soviet Union and Argentina. Trade volume between the United States and Argentina is actually larger than that between Argentina and the Soviet Union. However, the other major arena of economic ties, financial aid, weakens U.S. influence in the region problematically. Austerity measures suggested by the IMF are the source of even more anti-U.S. sentiment as is renewed populism in Argentine politics.

Soviet leverage on Argentine policies exists, but is probably not as substantial as is suggested by some analysts. Economic ties between the two countries primarily serve as

¹⁸IMF, *Direction of Trade Statistics 1988*, p. 82.

¹⁹Senate Committee on Foreign Relations, *U.S. Policy in the Western Hemisphere*, 97th Cong., 2nd sess., 27 April 1982, p. 158.

a means for Argentina to lessen economic dependency on the United States and visibly exert Argentine sovereignty and nonalignment. However, U.S. relations with Argentina require some subtlety to maintain and enhance its own leverage.

V. CONCLUSIONS—THE U.S. ARMY'S ROLE IN FACILITATING U.S.-ARGENTINE TIES

This section briefly reviews lessons learned from analyzing the viewpoints of Argentina, the USSR, and the United States. It concludes by looking specifically at the U.S. security assistance program with Argentina, as well as roles the U.S. Army might play to improve the likelihood of an outcome that is favorable for U.S. national security interests in the South Atlantic.

LESSONS LEARNED

One point clearly reflected in Argentina's diplomatic, economic, and military relations is that the current civilian government is highly sensitive when confronted with close alignment to either superpower. Argentine military leaders have historically held a strong anti-communist bent, but this did not preclude the establishment of economic relations with Moscow during the previous military regime. For these reasons, it is unrealistic for defense planners in the United States to pursue overt Argentine cooperation in defense pacts that are openly anti-Soviet. Defense planners can, however, try to cultivate ties that make U.S. influence as important, if not more so, than Soviet leverage in Argentine affairs.

In the sphere of economics, Argentina continues to export goods to the Soviet Union, yet purchases the majority of its imports from western industrialized nations, particularly the United States. However, populist political movements are critical of the United States for the austerity measures and economic instability that are associated with Argentina's enormous external debt.

Argentina also exhibits its Third Position within the spheres of diplomatic and military relations. For example, it does not go so far in its ties with the Soviet Union as to purchase weapons, nor does it buy many of its arms from the United States. Argentine political leaders have turned to the United States in diplomatic relations to gain assistance in dealing both with the debt issue and civil-military relations. However, they also participate in international organizations that are blatantly critical of U.S. behavior, and often use rhetoric about the unfairness of Argentina's economic imperialists for their own political ends.

It appears that Soviet motives for better relations with Argentina are primarily economic and political in nature rather than strategic. Argentina has proved to be a reliable alternative source of grain to the USSR, a potentially rich source of oil and

minerals, and a successful region for commercial fishing. Closer ties with Argentina are also evidence of a general trend in Soviet foreign affairs toward establishing relations with influential developing countries. A generally more favorable impression of the Soviet Union may help the viability of its own export economy and prove useful at some indefinite time in the future.

Similarly, the interests of the United States appear to be predominantly economic and political rather than strategic. Key U.S. interests in Argentina include U.S. bank holdings of Argentine debt and the attainment of continued democracy. For the most part, the United States can best obtain these goals through economic and political channels, areas not involving the U.S. Army. The Army does have a role to play in civil-military relations insofar as it can help professionalize the Argentine military. However, this role requires skillful maneuvering and should be pursued at an arm's distance. The recent resurgence of subversive organizations makes this role especially delicate.

U.S.-ARGENTINE SECURITY ASSISTANCE AND MILITARY RELATIONS

Relations have improved a great deal between the United States and Argentina, particularly when one considers the resentment held after the United States supported Great Britain in the Malvinas/Falklands War.¹ U.S.-Argentine diplomatic ties were visibly stepped up after the Monte Caseros military uprising in January 1988, the second military rebellion within a year. U.S. supplies of spare parts, participation in joint naval exercises, and visits of senior military officials were steps designed to "keep them [the Argentine military] happy and out of politics" before the presidential elections in May.² The United States also initiated an exchange of unofficial documents between Argentina and the United Kingdom in an effort to encourage direct negotiations over the Malvinas/Falklands Islands.

Most diplomatic initiatives of this sort are designed by the U.S. State Department and are not planned directly by the U.S. military. However, the U.S. Army does play an important role in implementing the security assistance programs that support U.S. foreign policy initiatives. Furthermore, the relations developed in military-to-military contacts

¹Relations even appear to have withstood the opening of old wounds when former Navy Secretary John Lehman recently remarked that "Britain would have lost the war without U.S. assistance." Lehman disclosed that the U.S. secretly supplied Britain with Sidewinder, Stinger, Vulcan, and Harpoon missiles, as well as intelligence support. Harold Briley, "Lehman: U.S. Played Vital Falklands Role," *Defense News*, 6 June 1988, p. 12. Also *Juanarena on U.S. Ties, Lehman Remarks*, FBIS-LADR, 3 June 1988, p. 27.

²Richard Beeston, "Shultz Soothes Restless Military in Argentina," *Washington Times*, 5 August 1988, p. 8.

are often a significant factor in the success or failure of these policies. This is particularly true within Latin American countries, where the military holds special cultural importance.

Security Assistance

U.S. security assistance to Latin America is implemented in four programs: the Military Assistance Program (MAP), the Foreign Military Sales financing program (FMS), the International Military Education and Training program (IMET), and the Economic Support Fund (ESF). MAP funds provide defense articles and services to foreign countries on a grant basis. FMS monies help provide credit and loan guarantees for the purchase of defense equipment from the United States. The IMET program provides funding for training and educational exchange, usually on a grant basis. The ESF program is intended to assist foreign economic development through U.S. Agency for International Development (AID) projects.

Security assistance to Argentina has generally been in the form of FMS financing of weapons purchases and IMET funding. According to documents from the U.S. Defense Security Assistance Agency (DSAA), the specific goals of continued funding for these two programs are to help Argentina sustain military equipment it previously purchased from the United States through FMS financing of spare parts, and to help professionalize the Argentine military through educational and exchange programs.³ Broader aims of security assistance programs include support for the consolidation of democracy, the enhancement of bilateral defense cooperation, and the general reinforcement of a pro-Western orientation in Argentina.⁴

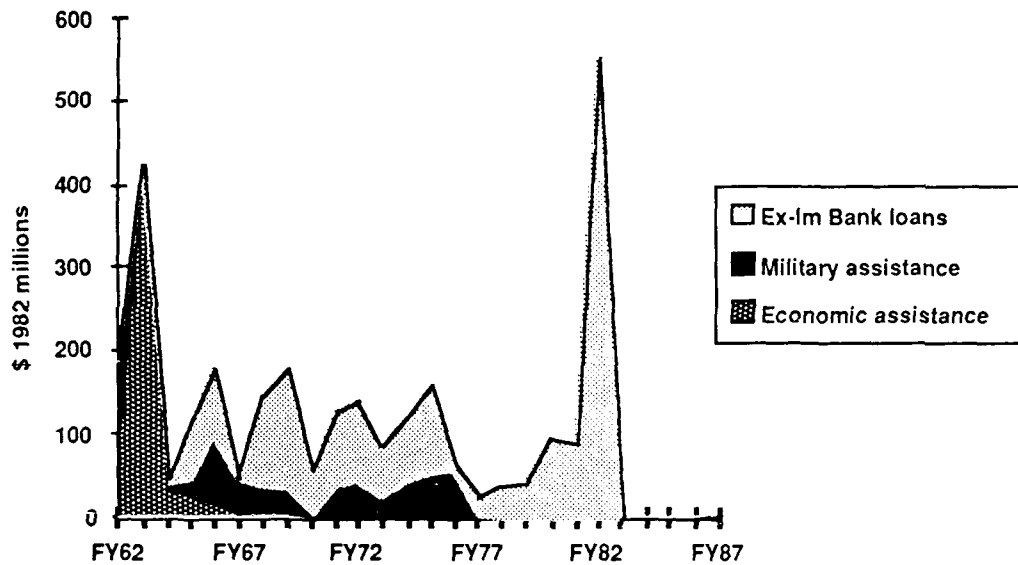
Because Argentina is relatively developed among third world countries, it has not been the recipient of large amounts of U.S. foreign aid.⁵ No Peace Corps program operates in Argentina, and little economic assistance has been awarded since the Alliance for Progress. Unlike other Latin American countries, ESF funds do not account for the bulk of security assistance to Argentina. Military aid has been limited as well, and the majority of U.S. foreign assistance to Argentina has been in the form of Export-Import

³*Congressional Presentation for Security Assistance Programs*, FY86, 87, 88, Washington, D.C.: Defense Security Assistance Agency, 1986-1988.

⁴*Ibid.*

⁵Over various periods, Argentina has been subject to U.S. bans on foreign economic assistance. For example, in the early 1980s amendments to the Arms Export Control Act halted Argentine assistance until significant progress was shown in complying with internationally recognized principles of human rights.

(Ex-Im) Bank loans. Figure 5.1 shows gross estimates of total grants and loans, economic and military, awarded to Argentina over the past 25 years.



SOURCE: U.S. Agency for International Development, *U.S. Overseas Loans and Grants and Assistance from International Organizations*, various years.

NOTE: Values include credits, grants, and training. Military assistance includes MAP, FMS credit sales, IMET, excess defense articles sales, and other grants. FY76 includes transitional quarter.

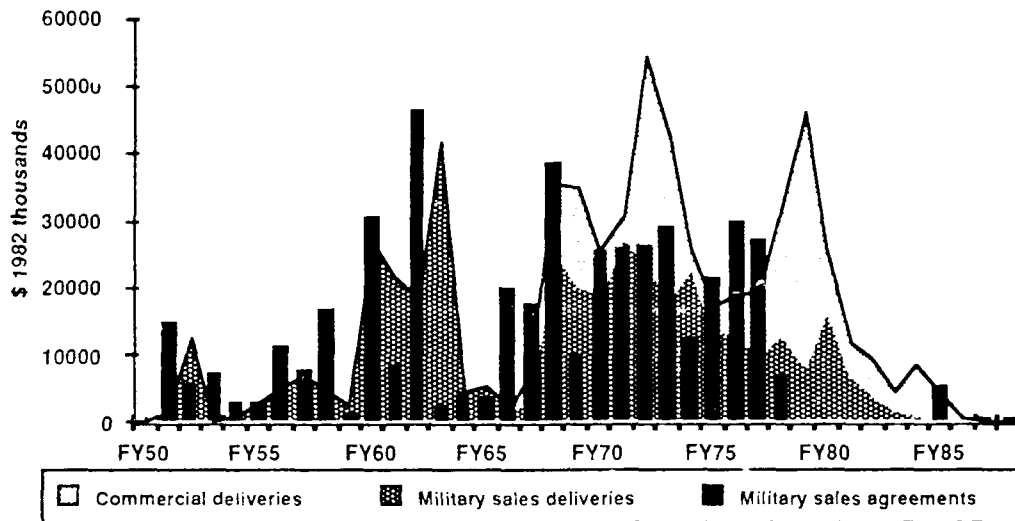
Fig. 5.1—Gross projected U.S. assistance to Argentina, FY62-87

The volume of weapons transfers from the United States to Argentina shows just as much volatility as total foreign aid. Not surprisingly, virtually no military grants or loans were awarded to Argentina in the aftermath of the 1982 Malvinas/Falklands War. Figure 5.2 shows the changes in U.S. weapons sales to Argentina over time.

The United States has recently agreed to step up the supply of weapons parts and spares to Argentina. Then Secretary of State George Shultz met with Argentine officials, including Defense Minister Horacio Juanarena, in August 1988 to reestablish ties with the Argentine military.⁶ Shultz's visit was followed by a visit from U.S. Southern Command (SOUTHCOM) chief General Fred Woerner to Buenos Aires, and the visit of Argentine officials to Washington.

⁶"Shultz Soothes Restless Military in Argentina," *Washington Times*, 5 August 1988, p. 8.

One result of these talks was that the United States has agreed to resume the sale of helicopter and vehicle spare parts if Argentina pays on a cash basis.⁷ Argentine officials also demonstrated the *Pampa* IA-63 jet trainer to representatives of the Air Force in hopes of a U.S. purchase.⁸ According to former U.S. Assistant Secretary of State for Inter-American Affairs, Elliott Abrams, these steps were taken to reinforce democracy in Argentina by alleviating some of the pressures on civil-military relations.⁹



SOURCE: Defense Security Assistance Agency, *Security Assistance Fiscal Year Series*, as of 30 September 1984, pp. 298-299. Also UCLA Latin American Center Publications, James W. Wilkie (ed.), *Statistical Abstract of Latin America*, Vols. 24 and 26, 1985, 1988, pp. 205, 207, 248, 250.

NOTE: Value of commercial deliveries unavailable prior to FY68. FY76 includes transitional quarter.

Fig. 5.2—U.S. arms transfers to Argentina, FY50-88

⁷Some \$18 million in UH-1 helicopter and M-113 armored personnel carrier spare parts were reportedly ordered by Argentina in October 1988. "Arms Transfer Tables," *Defense and Foreign Affairs*, Vol. 17, No. 3, March 1989, p. 42. One Buenos Aires newspaper claims that the United States has agreed to include a \$13 million loan to the Argentine Defense Ministry for military materiel, but U.S. officials dispute this report. *Military Agreement With U.S. Signed*, FBIS-LADR, 23 February 1989, p. 44.

⁸*Juanarena: U.S. to Start Selling Spare Parts*, FBIS-LADR, 3 October 1988, p. 29.

⁹*Vice President on Abrams' Remarks on Arms*, FBIS-LADR, 11 May 1988, p. 22.

The U.S. Congress also appears more amenable to permitting arms sales to Argentina, as well as funds for training the Argentine military. This mood appears to be unimpeded by allegations that the Argentine Army trained *contra* forces in Honduras for the Reagan Administration during a Congressional ban on U.S. military assistance to the Nicaraguan resistance.¹⁰

Other Aspects of Military Relations

U.S. relations with Latin America military establishments are an important means by which to influence policies favoring U.S. security interests. It is through military-to-military relations that SOUTHCOM has sought its strategic goals. Gabriel Marcella of the U.S. Army War College notes:

From the perspective of the United States, military relations enhance the regional forces' confidence, capabilities, and professionalism in handling internal and external threats. At the operational level these relations contribute to collective security and to cooperation between forces; they may also foster admiration for, and confidence in, the competence of the U.S. military and its technology. Lastly, relations between military institutions can increase understanding of U.S. foreign policy, its values and expectations.¹¹

The transference of the U.S. military's professionalism is one of the most important goals to be obtained in relations with the Argentine military. By facilitating accountability of the military to the Argentine public, the U.S. military will encourage the consolidation of democracy in that country. Recent rebellions are a reminder that the Argentine military is a force to be reckoned with, and that the establishment of civilian control will be a protracted process.¹²

One constraint on the effectiveness of U.S.-Argentine military ties is the degree to which the United States appears to support the protection of human rights. U.S.-Argentine military contacts continued up to Alfonsín's inauguration in 1983 and were interpreted by some as "connivance with the outgoing generals."¹³ Actually, these

¹⁰"New Mood of Forgiveness Towards Argentina," *Latin American Regional Reports Southern Cone*, RS-89-04, 25 May 1989, p. 12.

¹¹Gabriel Marcella, "Defense of the Western Hemisphere: Strategy for the 1990s," *Journal of Inter American Studies and World Affairs*, Fall 1985, p. 7.

¹²One Argentine Army officer conveyed to the author in an October 1988 interview that although he believed most military officers no longer think they should govern Argentina, the threat of military rebellion serves as a political force to counter leftist movements.

¹³Andersen, p. 171.

contacts were maintained out of necessity, since the Argentine military government refused to speak to the U.S. ambassador without the presence of the U.S. military attaché.¹⁴ Nonetheless, the public perception of "connivance" should be of continuing concern to the U.S. Army since cooperation with a distrusted Argentine military might lessen U.S. political leverage rather than strengthen it.

By the same token, it would be foolhardy to avoid all military-to-military relations until accountability of the Argentine armed forces is established. The Argentine military junta of the early 1980s did cooperate with the Soviet Union through trade relations, despite the regime's anti-communist bent. Continued contact between the U.S. and Argentine armed forces is important to counter any threat of leverage that could be exerted by the USSR. U.S. military relations with Argentina should balance the risk of cultivating anti-U.S. sentiment with the practical need for military cooperation.

The most widely used methods of establishing and reinforcing military-to-military ties with Latin American countries include the administration of security assistance programs, combined exercises, education and personnel exchange programs, and occasional conferences and workshops on topics of common interest. Administration of security assistance funds by the U.S. Military Group Commander's office is the rationale for a continual in-country presence of U.S. military personnel in Argentina. The Buenos Aires office presently employs four U.S. military personnel and one U.S. civilian, with a total staff of eleven.¹⁵

As noted above, the United States is in the midst of expanding its security ties to Argentina by agreeing to sell it materiel on a cash basis. However, Argentina's dire economic straits severely limit the scale of these ties. If military sales were to take the form of FMS loans, additional weapons sales would contribute to Argentina's external debt. And purchases of all weapons by the Argentine military are hampered by its tightly constrained budget and need for fiscal austerity. As a relatively developed and prosperous country among Latin American nations, it is unlikely that Argentina will qualify for MAP grants of equipment.

Combined exercises are another means by which to strengthen military-to-military ties. Although no combined exercises have been held between United States and Argentine armies in recent years, the United States recently held naval exercises with Argentine warships off the coast of the Patagonia province for the first time since 1981.¹⁶

¹⁴I thank Lt. Col. Richard Herrick and Lt. Col. (ret.) Robert Olson for raising this point.

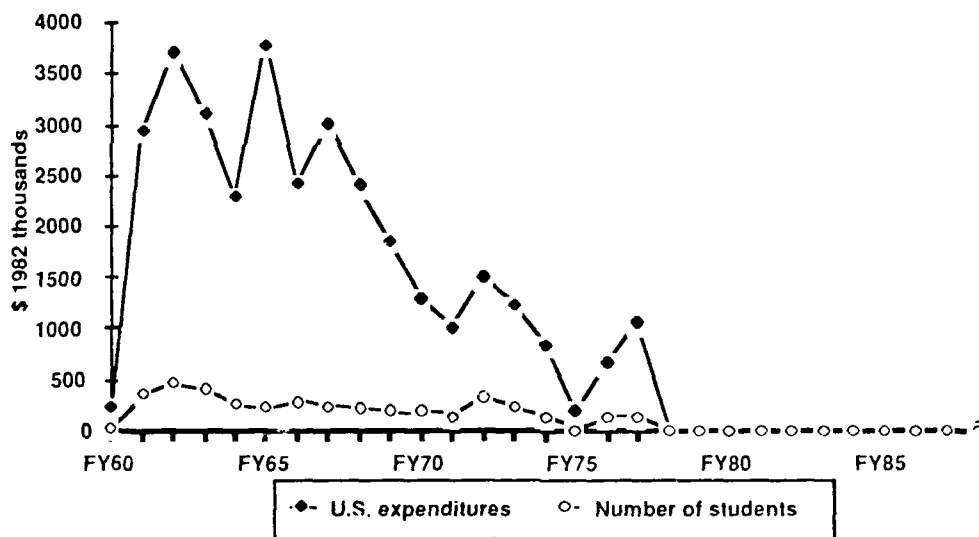
¹⁵DSAA, *Congressional Presentation for Security Assistance Programs FY88*, p. 361.

¹⁶"U.S. and Argentina Renewing Old Bonds," *Chicago Tribune*, 28 October 1988, p. 16.

Small-scale Joint Chiefs of Staff (JCS) directed or coordinated combined training exercises were held in South America fairly regularly prior to 1977, but Central America has been the stage for the majority of exercises since the Sandinista revolution.

Quite obviously, Army exercise programs do not serve as useful a purpose in Argentina as in Central America. Argentina's most predominant threats, such as those posed by the Beagle Channel dispute with Chile, benefit primarily from naval training. The aims of Army exercises--show of force, improved land combat readiness, etc.--are better directed toward countries that face external land threats.

Military education and exchange programs offer the best opportunity for the U.S. Army to establish influential ties with and consolidate civilian control over the Argentine military. The United States and Argentina have established Professional Military Education (PME) exchanges among officers at the staff college and senior service college levels.



SOURCE: Defense Security Assistance Agency, *Security Assistance Fiscal Year Series*, as of 30 September 1984, p. 299. Also *Congressional Presentation for Security Assistance Programs*, FY86, FY88, pp. 349, 322, 339.

Fig. 5.3--IMET program with Argentina, FY60-88

Figure 5.3 shows historical funding levels and number of students trained in the IMET program with Argentina since 1960. The program's peak year was in FY62, when

some 475 Argentine students were trained. Funding for the IMET program was discontinued after FY77-78, but was reinitiated in FY87. According to the DSAA, two Argentine students were trained with IMET funding in FY87 and eight in FY88.¹⁷ An additional twenty Argentine people were trained in the United States during FY87-88 under FMS direct sales.

Clearly the reestablishment of a larger-scale IMET program with Argentina would do much to facilitate stronger ties between the two militaries. And it would directly address the immediate goal of U.S.-Argentine military relations: promotion of continued democracy by professionalization of the military under civilian control. Perhaps most important, military education and exchange programs have low visibility. By their very nature they do not raise the same degree of suspicion among the Argentine people as would, say, a widely publicized exercise program. The United States must continue to pay strict attention to Argentina's public opinion of its military, for the perception of "connivance with the generals" would likely fuel anti-U.S. sentiment and reduce U.S. influence.

Small-scale conferences and workshops between U.S. and Argentine armies would be a good way to assist military reform. President Alfonsín alluded to military reform when he introduced the Due Obedience bill, and plans were made under the auspices of a modernization commission.¹⁸ The Buenos Aires news agency, *Noticias Argentina*, reported that the Army's four regional corps will be replaced by two to three mobile units of specialized personnel to be "transported by plane to any place where their presence is necessary."¹⁹ The restructuring is also intended "to reinsert the Armed Forces into the democratic community" through modification of military school curricula and required postgraduate coursework for officers in civilian national universities.²⁰

Alfonsín outlined three stages toward modernization of the military: rationalization, reorganization, and long-term planning. Implementation of methodologies to plan and control the military budget fall under the rationalization stage. In the reorganization stage, the president proposed the termination of certain command positions and merger of others to create more centralized posts. Alfonsín also mentioned long-term planning measures such as new training procedures, the experimental inclusion

¹⁷DSAA, *Congressional Presentation for Security Assistance Programs FY88*, p. 339.

¹⁸Martin Cohen, "More Argentine Aftermath: Due Obedience Law, Military Reform," *Defense and Foreign Affairs Daily*, 29 May 1987, p. 4.

¹⁹"Major Armed Forces Restructuring Viewed," *Noticias Argentinas*, 14 May 1987, FBIS-LADR, 19 May 1987, p. B3.

²⁰*Ibid.*, p. B4.

of volunteer forces, privatization of some enterprises under the Defense Ministry, and amendment of the military code of justice so that "blind obedience" will be avoided in the future.²¹

By offering assistance and training in its professionalization efforts, the United States has an important opportunity to cultivate leverage within the Argentine military. The U.S. Army holds valuable expertise in areas such as budget methodology, strategic assessment and force deployment. Assisting in structural changes rather than direct combat training would maintain the lines of contact needed without exacerbating anti-Americanism.

²¹Ibid., pp. K2-3.

Appendix A
TRADE AND FINANCIAL DATA

Table A.1

CAPITAL FLIGHT FROM LATIN AMERICA
(billions of U.S. dollars)

Country	1983	1984	1985	1986
Argentina	-0.4 ^a	1.1	0.4	0.7
Brazil	-2.2	-3.1	-1.6	-1.0
Chile	0.2	0.3	0.6	0.8
Colombia	-0.5	0.7	-0.8	0.0
Ecuador	-0.7	-0.1	-0.3	-0.2
Mexico	-8.5	-3.9	-2.4	0.9
Peru	-0.6	-0.7	-0.1	0.4
Venezuela	-3.8	-1.7	0.4	0.5

SOURCE: *World Financial Markets*, June/July 1987, p. 8.
Because capital flight is extremely difficult to estimate, much uncertainty surrounds these figures.

^aMinus sign indicates outflow.

Table A.2

PERCENTAGE DISTRIBUTION OF ARGENTINE IMPORTS BY SOURCE,
1981-87

Country	1981	1982	1983	1984	1985	1986	1987
United States	22.2	22.0	21.9	18.5	18.2	17.6	16.4
Industrial countries ^a	69.1	62.8	62.9	58.1	60.4	60.0	62.2
USSR	0.3	0.6	0.7	0.8	1.1	1.3	1.6
USSR, Eastern Europe, etc. ^b	.9	1.1	1.1	1.1	1.6	1.4	1.7
Western Hemisphere ^c	21.1	30.0	32.6	36.5	34.6	34.5	29.9

SOURCE: International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1988, Washington, D.C.: IMF Publications, 1988, pp. 82-84.

^aIncludes the United States, Canada, Australia, Japan, New Zealand, Austria, Belgium, Denmark, Finland, France, FRG, Iceland, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, and the UK.

^bIncludes Albania, Bulgaria, Cuba, Czechoslovakia, GDR, Mongolia, North Korea, Poland, and the USSR.

^cExcludes the United States and Canada.

Table A.3

PERCENTAGE DISTRIBUTION OF ARGENTINE EXPORTS BY RECIPIENT,
1981-87

Country	1981	1982	1983	1984	1985	1986	1987
United States	9.4	13.4	9.9	10.8	12.2	10.3	15.9
Industrial countries ^a	37.1	42.8	39.5	42.8	42.0	45.8	50.3
USSR	32.4	20.8	20.9	14.7	14.4	3.0	9.9
USSR, Eastern Europe, etc. ^b	33.9	22.1	23.4	19.2	19.3	8.0	14.1
Western Hemisphere ^c	19.7	20.4	14.1	18.5	18.7	23.9	21.0

SOURCE: International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1988, Washington, D.C.: IMF Publications, 1988, pp. 82-84.

^aIncludes the United States, Canada, Australia, Japan, New Zealand, Austria, Belgium, Denmark, Finland, France, FRG, Iceland, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, and the UK.

^bIncludes Albania, Bulgaria, Cuba, Czechoslovakia, GDR, Mongolia, North Korea, Poland, and the USSR.

^cExcludes the United States and Canada.

Table A.4

SOVIET EXPORTS TO LATIN AMERICAN NATIONS, 1981-87

(millions of U.S. dollars)

Supplier	1981	1982	1983	1984	1985	1986	1987
Argentina	30 ^a	30 ^a	29 ^a	32 ^a	38 ^a	54 ^a	84 ^b
Bolivia	....	....	4 ^a	11 ^a	11 ^c	12 ^c	13 ^c
Brazil	20 ^a	194 ^a	173 ^a	153 ^a	68 ^a	48 ^a	79 ^a
Colombia	9 ^a	7 ^a	6 ^a	5 ^a	4 ^a	9 ^a	10 ^c
Costa Rica	1 ^a	1 ^a	....	....	1 ^a	....	1 ^b
Dominican Republic	....	....	....	....	....	....	....
Ecuador	6 ^a	6 ^a	3 ^a	....	4 ^a	1 ^a	2 ^b
Grenada	1 ^a	....	....	....	....	....	....
Guyana	1 ^a	....	....	....	....	....	....
Honduras	1 ^a	1 ^a	....	....	....	....	....
Jamaica	1 ^a	....	7 ^a	3 ^a	3 ^a	5 ^a	5 ^c
Mexico	15 ^a	11 ^a	3 ^a	4 ^a	7 ^a	6 ^b	5 ^c
Nicaragua	5 ^a	35 ^a	35 ^c	39 ^c	41 ^c	43 ^c	47 ^c
Panama	1 ^a	....	....	....	....	....	....
Peru	3 ^a	3 ^a	....	....	....	....	....
Trinidad & Tobago	....	1 ^a	1 ^a	....	....	....	....
Uruguay	3 ^a	2 ^a	2 ^a	26 ^a	38 ^a	7 ^a	3 ^a
Venezuela	1 ^a	1 ^a	....	....	1 ^a	1 ^a	1 ^c
Western Hemisphere	100	293	263	274	217	189	266
World total	39,540	37,789	36,940	37,480	35,804	34,402	37,182

SOURCE: International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1988, Washington, D.C.: IMF Publications, 1986, pp. 399-400.

^aData derived from partner country for the entire year.

^bFive or fewer months of reported data; seven or more months derived or extrapolated.

^cData extrapolated for the entire year.

Table A.5

SOVIET IMPORTS FROM LATIN AMERICAN NATIONS, 1981-87

(millions of U.S. dollars)

Supplier	1981	1982	1983	1984	1985	1986	1987
Argentina	3,260 ^a	1,745 ^a	1,799 ^a	1,307 ^a	1,334 ^a	230 ^a	697 ^b
Bolivia	....	3 ^a	10 ^a	2 ^a	3 ^a	3 ^c	4 ^c
Brazil	684 ^a	560 ^a	738 ^a	443 ^a	501 ^a	292 ^a	322 ^c
Colombia	17 ^a	19 ^a	24 ^a	22 ^a	23 ^a	1 ^a	2 ^c
Costa Rica	1 ^a	1 ^a	27 ^a	8 ^a	....	....	....
Dominican Republic	16 ^a	75 ^a	46 ^a	12 ^a	24 ^a	25 ^c	28 ^c
Ecuador	5 ^a	8 ^a	7 ^a	5 ^a	7 ^a	....	3 ^b
Grenada	....	1 ^a	2 ^a	....	....	....	....
Jamaica	16 ^a	11 ^a	13 ^a	40 ^a	31 ^a	28 ^a	30 ^c
Mexico	4 ^a	9 ^a	7 ^a	15 ^a	8 ^a	8 ^b	9 ^c
Nicaragua	10 ^a	9 ^a	9 ^c	10 ^c	10 ^c	11 ^c	12 ^c
Peru	13 ^a	9 ^a	19 ^a	....	151 ^a	110 ^a	76 ^a
Uruguay	73 ^a	86 ^a	68 ^a	50 ^a	47 ^a	26 ^a	44 ^a
Venezuela	....	1 ^a	7 ^a	1 ^a	3 ^a	....	....
Western Hemisphere	4,106	2,537	2,774	1,914	2,145	741	1,228
World total	47,313	44,562	43,881	42,508	44,342	43,075	44,883

Source: International Monetary Fund, *Direction of Trade Statistics Yearbook*, 1988, Washington, D.C.: IMF Publications, 1986, pp. 399-400.

^aData derived from partner country for the entire year.

^bFive or fewer months of reported data; seven or more months derived or extrapolated.

^cData extrapolated for the entire year.

Appendix B
ARMS TRADE AND PRODUCTION

Table B.1

STAGES OF PRODUCTION OF LATIN AMERICAN ARMS PRODUCERS, 1984

Item	Argentina	Brazil	Chile	Colombia	Mexico	Peru
Fighters, light fighters, jet trainers	5 ^a	5	3	-	-	3
Light planes, transport planes	5	5	3	3	-	-
Helicopters	4	3	-	-	-	-
Guided missiles	5	5	-	-	-	-
Major fighting ships, fast attack craft	4	5	-	-	-	4
Small fighting ships	5	5	5	5	5	5
Submarines	3	3	-	-	-	-
Main battle tanks	4	5	-	-	-	-
Artillery	5	4	-	-	-	-
Light tanks, APCs	4	5	5	-	3	-
Small arms	5	5	5	2	4	5
Group	A ^b	A	C	D	D	C

SOURCE: *SIPRI Yearbook 1985*, London: Taylor & Francis, 1985, p. 338.

^aKey to production stages:

- 0=planned
- 1=major overhaul and refurbishment capacity
- 2=assembly
- 3=licensed production of components
- 4=licensed production of weapon systems
(import of sophisticated parts)
- 5=indigenous design and production

^bKey to groups:

- A=diversified and sizable
arms production
- B=production in most
categories
- C=production in several
categories
- D=limited production

Table B.2

VALUE OF ARMS TRANSFERS TO ARGENTINA

(Five-year totals in millions of current U.S. \$)

Supplier	1973-77	1979-83	1981-85	1982-86
United States	66	80	40	60
France	30	360	230	80
UK	40	150	90	0
FRG	30	925	1,400	1,400
Poland	0	10	0	0
Italy	30	180	110	0
Others	20	775	530	420
Total	216	2,480	2,400	1,960

SOURCE: ACDA, *World Military Expenditures and Arms Transfers*.
Washington, D.C.: U.S. Government Printing Office, various years.